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2005 ANNUAL REPORT

LORING DEVELOPMENT AUTHORITY OF MAINE



To the Citizens of the State of Maine:

When I wrote this annual letter to you a year ago, I cited ten years of broad progress the Loring Development Authority of Maine (LDA) had made on a variety of fronts. In May 2005, an event occurred that threatened to reverse much of that progress – the unexpected announcement by the Department of Defense (DOD) that the Defense Finance and Accounting Service (DFAS) center located at Loring was targeted for closure. Worse yet, the announcement came as part of a package of closure plans for Maine which included the closure of the Portsmouth Naval Shipyard and the realignment of the Brunswick Naval Air Station. The implications for the state were dire, with the economic forecasts identifying the possibility of a statewide recession induced by the military cutbacks.

The local community that reacted adversely to this announcement was in some ways not the same community that reacted to the announcement in 1991 that Loring Air Force Base would close. The community in 1991 had lived for many years under the cloud of a potential closure of Loring Air Force Base. That community knew that Loring was a large – in fact, too large – part of the local economy, and that closure meant economic disaster. The community that reacted adversely to the DFAS announcement in 2005 had lived through Loring's closure, and had gained confidence in the process. The 2005 community had been severely tested over the past decade, but the people of Aroostook County had shown themselves to be bona fide survivors. Through dedicated effort and hard work, they had done everything necessary to assure the success of the new business and industry that was starting to take hold at Loring and throughout the region. The DFAS center was but one example of this success. Throughout the DFAS system nationwide, our DFAS center was widely recognized for its exemplary employees, a tradition of excellence, and extremely high productivity.

The proposal to close the DFAS center was in no way a negative reflection on the center or its employees. The DFAS center was simply caught up in a very broad consolidation scheme whereby the DOD would have reduced the number of DFAS centers nationwide from 26 to three. What was unfortunate, though, was that DFAS Limestone was never seriously considered by the DOD for potential expansion because of persistent misperceptions about Aroostook County. These misperceptions are that there is a lack of available workforce, not enough supporting infrastructure, inadequate capacity and support services in the surrounding communities.

When you consider that the closure of Loring Air Force Base led to widespread underemployment and out-migration, it's clear why there is an abundance of under-utilized talent in the existing labor force, and why there's a secondary workforce consisting of people who've left their homes in Aroostook simply to find work elsewhere,

but who would return for the right opportunity. And, when you consider that Aroostook County's community infrastructure used to support 15,000 more people just before Loring closed in 1994, the concerns about limited capacity disappear as well.

The BRAC Commission decided to retain the DFAS center and to expand its operations by at least 70%. In doing this, the BRAC Commission clearly endorsed the people of Aroostook County and the facilities at Loring for a commitment to excellence and a not-so-obvious potential for growth.

Others have recognized and taken advantage of these attributes. The Maine Military Authority has grown to nearly 540 employees and reports an abundance of qualified applicants for every new job. Without exception, Loring employers cite the quality and work ethic of their employees as a major factor in their success.

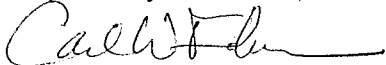
With the projected additional employees at DFAS, assuming other employers remain at current levels, the total employment at Loring Commerce Centre will reach 1700. This is a far cry from the zero employees who reported to work at Loring on October 1, 1994, the day after Loring Air Force Base closed.

Loring is now a busy commercial and industrial park with new challenges and opportunities. One of the most serious challenges we face is financial. Until 2004, the LDA benefited from long-term "Caretaker" funding, under a precedent-setting agreement negotiated with the Air Force, which allowed the LDA to maintain Loring's unoccupied buildings and to keep Loring's infrastructure functioning in support of redevelopment.

With the termination of federal funding, the LDA relies on a combination of revenue from leases and sales and funding from the State of Maine to pay for the continued operation of Loring's infrastructure on a day-to-day basis. Over time, continued development will generate more revenue allowing the LDA to make targeted investments in major capital projects such as resurfacing roadways and aviation pavements, and replacing aging water and sewer infrastructure.

The LDA is grateful for the dedicated support and guidance of our Board of Trustees, and the financial and moral support of Maine's Legislature and Governor. The relatively modest public investment in Loring will assure that Loring Commerce Centre continues to be a powerful regional economic engine, securing a more prosperous future for Aroostook County and the State of Maine, and providing a venue for the people of Aroostook County to demonstrate a commitment to excellence in their work.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Carl W. Flora".

Carl W. Flora
President & CEO

**Paragraph 13080-L
Fiscal Year 2005 Annual Report
July 1, 2004 through June 30, 2005**

	<u>Page</u>
Paragraph 1A: Description of the Authority's Operations and Status Report.....	2
Paragraph 1B: Authority's Audited Financial Statements for the Year Ended June 30, 2005	15
Paragraph 1C: Property Transactions	17
Paragraph 1D: An accounting of all activities of any special utility district formed under Section 13080-G: None	20
Paragraph 1E: A listing of any property acquired by eminent domain under Section 13080-G: None	21
Paragraph 1F: A listing of any bonds issued: None	22
Paragraph 1G: Subsequent Events and Proposed Activities	23
Paragraph 1H: Further Actions Suitable for Achieving the Purposes of this Article.....	28
Attachments: Loring Applied Technology Center	31
Loring Development Authority Board of Trustees	33
Loring Development Authority Development Staff.....	34
Loring Commerce Centre Tenants.....	35
Monthly Employment/Tenant Status Report	38

**Loring Development Authority of Maine
2005 Annual Report**

**Paragraph 1A: Description of the Authority's
Operations and Status Report**

Loring Development Authority of Maine
Fiscal Year 2005 Annual Report
Paragraph 1A: Description of the Authority's Operations and Status Report
July 1, 2004 through June 30, 2005

Loring Development Authority (LDA) continues developing properties and supporting existing activity at Loring Commerce Centre where over 1,400 jobs have been created by the twenty-three businesses located on site. Employers at Loring represent the manufacturing, agriculture, forestry, telecommunications, back-office, education, health care, recreation, and aviation sectors. Accomplishments realized at Loring in fiscal year 2005 and through October 15th in fiscal year 2006 are presented in this report.

FISCAL YEAR 2005 GOALS AND ACCOMPLISHMENTS

The following summarizes the LDA's accomplishments for fiscal year 2005, which support its primary mission of job creation and facility absorption at Loring Commerce Centre:

Following the Department of Defense announcement of its recommendation to close the Defense Accounting and Finance Service Center (DFAS) at Loring, LDA in association with community leaders, created the Grow DFAS committee and began working with Governor Baldacci and Maine's Congressional delegates to develop an approach to reverse the recommendation and to make a defensible case for expanding DFAS Limestone. The case to expand the center was argued successfully. DFAS will not only remain open, but will grow from 252 employees to not less than 600 as required by the Base Realignment and Closure (BRAC) Commission. A net gain of 250 jobs at DFAS is worth approximately \$10 million in annual payroll and more in terms of indirect economic impact. The LDA hosted a tour and briefing of General Newton, a BRAC Commission member, and participated in the BRAC hearing held in Boston in support of DFAS.

The DFAS decision was a major lift for an area of the state that has been hard-hit over recent decades with declines in agriculture and manufacturing, chronic out-migration and a devastating loss of Loring Air Force Base. During the final BRAC deliberations, BRAC Commission Chairman Principi mentioned the previous closure of Loring Air Force Base and the location the DFAS center at Loring in part to offset the harsh economic impact, then said, "...we're keeping the faith with the people of Limestone. But they've also proved their mettle because I believe they're one of the highest quality DFAS's in the system and customer satisfaction indices show them to have done a superb job..." LDA recognizes that a high profile endorsement like this is rare and intends to leverage it to promote the advantages of doing business in Aroostook County.

LDA received title to the remaining 918 acres of property at Loring that had been controlled by the LDA under a 55-year lease with the Air Force. (In 2001, LDA received title to 2,800 acres of property, which had also been under a long-term lease with the Air Force, and approximately 270 acres of the property have been sold to private businesses.) Acquisition of the property is a major milestone for LDA.

Title to the Searsport to Loring pipeline and associated easements and right-of-ways was also secured by LDA this year. This transfer involved extensive research and documentation for the nearly 600 contiguous parcels that form the 200 mile pipeline and right-of-way corridor.

LDA received title to the 15-acre DFAS property under a lease-back agreement with the Air Force, which allows DFAS to occupy the property indefinitely under a no-cost lease. Should the federal government vacate the building, LDA will control it as the owner.

LDA is working with Dan MacDonald, owner of MacDonald Enterprises, on the sale of the two buildings and associated property that he has been leasing since 1996. MacDonald Enterprises, a wood and metal products manufacturer and one of Loring's first tenants, will be the third private party to purchase property from the LDA.

Loring Bioenergy (LBE) extended its option agreement for the purchase of the former steam-heat plant and surrounding property, where it proposes to operate a 55-megawatt electric generation and steam production facility. LBE plans to supply electricity into the region's grid and provide steam to tenants at Loring Commerce Centre. The option remains open to LBE until early November 2005, and if it is exercised, LBE will use the Searsport to Loring pipeline to bring natural gas to Loring to fuel the plant. LBE may supply excess gas to other users along the 200 mile length of the pipeline corridor, making this an asset of statewide economic significance.

LBE controls the existing pipeline and a potential second pipeline. LDA could potentially construct a third pipeline for non-energy use. LBE will have to make significant investments in the pipeline corridor in preparation for reactivation of the pipeline and it does not want to make these investments without a guarantee that other energy projects would not have use of the corridor. LBE will have use of the pipeline for 93 years.

LBE closed on interim financing this summer, off-take contracts for energy are being negotiated and environmental permits for the Loring site and booster stations have been secured. LBE has also secured letters of intent from some tenants at Loring who would purchase steam for industrial uses such as to heat large buildings or for manufacturing. LBE has tentatively scheduled the start of construction in late 2005 with operations beginning in 2007. It's a major undertaking that would bring hundreds of construction jobs to the area and would mark a new development stage for LDA.

A proposal for leasing 1,200 square feet of office space to LBE was approved in June 2005. It would provide LBE with an engineering and operations office during the pre-construction and construction phases of the project.

LDA and US Fish and Wildlife Services (USFW) agreed to a land swap that resolved an issue that threatened the public's continued use of Nebraska Road, which provides an important means of access to Loring Commerce Centre from the north and west. LDA agreed to swap about 56 acres of wooded property on Loring for the approximate one-mile section of Nebraska Road that was transferred from the Air Force to the USFW and became part of the Aroostook National Wildlife Refuge. USFW does not have the means to maintain the road and wanted to either close it or exchange it for property of similar value. Now, the LDA will be able to work to ensure that the easterly section of the road is restored so that MDOT can reclassify it as a minor collector, which is the same classification given to the westerly portion of the road.

In December 2004, Maine Military Authority (MMA) announced that a newly secured contract with the Pentagon would create 240 new jobs. In order to support the significant expansion, MMA leased an additional 60,000 square feet of space at Loring. When speaking of MMA's

operations, General Libby said that Art Cleaves' suggestion to get into the military vehicle rebuild business turned into a great success story and LDA has contributed to the success. Considering the army's need for refurbished vehicles, MMA will need more space in the future and will continue to grow at Loring. Additionally, Mr. Gary Cleaves said that C130's are flying into the Presque Isle airport in support of MMA activity, but they could fly into Loring when the ILS is certified and fuel is available. Telford Aviation could provide aircraft maintenance when needed. MMA has also established a student internship program in partnership with Northern Maine Community College.

At the LDA's February Board Meeting in Augusta, the MMA reported that it is the only place refurbishing humvees (High Mobility Multi-purpose Wheeled Vehicles – HMMWV's) for the military and its operation is growing. Initially, labor availability was a concern, but over 1,000 applications were received from qualified, high potential people when the announcement of 240 new jobs was made.

Telford and Science Applications International Corporation (SAIC) are involved in a joint venture to design and test unmanned aerial vehicles (UAV's or blimps) at Loring. The remotely-piloted airships are designed to carry equipment for use in military and homeland security applications. Loring has the potential to become the east coast site for a UAV test and development center that would create new high-tech jobs. UAV's are projected to be the wave of the future for military and homeland security aircraft because they are much less expensive to operate than traditional aircraft. SAIC has a UAV testing site in Yuma, Arizona and would like a cold-weather site as well. The project is being supported by a \$1.5 million earmark in the 2005 Defense Authorization Bill.

Telford operations at Loring enabled LDA to reactivate the airfield and establish aviation activity in northern Maine. In addition to the SAIC project, Telford operations include fixed base operations (FBO) services such as aircraft storage and maintenance. The availability of fuel is now possible with the acquisition of aviation fuel tanks. At this time there is a demand for jet fuel only, which is used by Maine Military Authority vehicles as well as aircraft. When the need arises, Avgas could also be offered.

Telford operations are still in an early stage and are subject to global trends such as downturns in the aviation industry. The company was awarded a \$110 million federal contract and will complete the work at the company's various locations in the United States and abroad.

Loring's large hangars and expansive aviation complex are tremendous assets that have not been available elsewhere in the northeast. (The recent round of base closures and the potential availability of aviation assets at sites like the Brunswick Naval Air Station may change this equation, however). Developing these assets diversifies the local economy and utilizes the skills of local citizens who acquired aviation skills as former Air Force employees.

A flight test is the final step in obtaining an airfield instrument landing system (ILS) certification for Loring International Airport. Minor technical problems prevented the FAA from conducting a test flight of the ILS earlier this summer, but the flight test will be rescheduled.

Renovation of the 145,000 square foot arch hangar at Loring continues with the assistance of a voter-approved transportation bond referendum made available through the Maine Department of Transportation. Renovations accomplished or underway to date include electrical and heat

system upgrades and renovation of office and shop space in the hangar. This project supports aviation expansion, and the UAV project mentioned above is housed in the arch hangar.

LDA and Aroostook Partnership for Progress met with high ranking officials from the Department of Homeland Security, with responsibilities for transportation security and customs and border protection. The discussions included the feasibility of locating an air cargo facility at Loring that would support homeland security efforts, a concept developed by former Adjutant General Joseph Tinkham. As a result of these meetings, we now have a better sense of how our site might play a role with national homeland security measures and policies.

Art Cleaves, Director of the Maine Emergency Management Agency, Maine's Fire Commissioner and members of the Maine Fire Chief's Association toured Loring and expressed a high level of interest in locating a firefighter training academy at Loring, making use of the alert facility, which is completely self-contained. The 73,000 square foot facility historically housed 80 people and has sleeping quarters, dining and recreation facilities, multiple class rooms and offices. The adjoining 35-acre contained site is the perfect venue for simulated training exercises including confined space entry, rail car and aircraft evacuations and many other opportunities. Other buildings, such as the crash fire station, the former base operation facility and a dormitory may also be used. Now that Brunswick Naval Air Station is slated for closure, there have been some who are thinking of a similar concept for that facility. The key to moving forward with this project is securing funding for startup operations, after which the project will be self-sustaining. The academy would be used to train firefighters from throughout New England and possibly from eastern Canada.

Maine Lighthouse Corporation (MLC) is working to secure necessary funding for its project, a long-term therapeutic substance abuse treatment facility, which would occupy the hotel and potentially other facilities at Loring. The MLC project is modeled after the successful Daytop project in Rhinebeck, New York, which has an 85% success rate in its long-term care program for people with addictions. The program would benefit the people in the program and the state would benefit in terms of significant savings on incarceration, medical detoxification, emergency medical services and police services. MLC contracted to have a state-wide needs assessment conducted with grant funding from Maine Health Access Foundation. This project remains in the due diligence phase, with efforts to secure federal, state and private funding underway.

Local citizens who have been working to document Loring's history and its role in the cold war are interested in leasing a 1,900 square foot building where they propose to establish a museum called the Loring Military Heritage Center (LMHC). If LMHC supporters are able to secure sufficient financial resources for the project, it will move forward next summer.

Pattison Sign Group (NE) Inc. held a grand opening celebration in August 2004 for its first U.S. based manufacturing facility. The event was attended by employees, local and state business and government representatives and Jim Pattison, owner of The Jim Pattison Group, which is the sign manufacturer's parent company. Over 60 jobs have been created since operations began and Pattison expects to eventually employ 100 people at Loring. Pattison Sign has been working with electrical training students from Job Corps.

This year marks the 40th anniversary of the National Job Corps program. Loring Job Corps Center (LJCC) opened in 1997 and to visitors it resembles a college campus with about 380 fulltime students enrolled throughout the year. Students are recruited from all over New England and New York and some are refugees from foreign countries. LJCC employs about

140 instructors and staff and offers its students a variety of vocational training programs, on-the-job training, high school diploma programs, support services, career services and job placement assistance. LJCC is a well established member of the Loring Commerce Centre community and Job Corps students carry out community service projects for non-profit organizations in the area.

Maine Winter Sports Center (MWSC), with initial assistance from the LDA, has been promoting skiing as a lifestyle in Aroostook County since 1999. This remarkably successful program has initiated skiing programs in several area schools and communities. World-class facilities constructed in Presque Isle and Fort Kent have hosted national and world-cup events, drawing much attention to the region.

The Flightline Café & Catering is open for business at Loring, offering breakfast, lunch, dinner, catering, baked goods and specialty products. As part of the lease agreement the owner also has use of the NCO Club for special events and functions.

Robin's Chocolate Sauce and Pneu-Hydro Energy continue to operate in the Loring Applied Technology Center (LATC), a business incubator. Robin's has put its product out in the market and Pneu-Hydro continues R&D for the potential manufacture and commercialization of a hybrid energy source. Other business projects are under consideration for the LATC.

Maine Street Flour, a company that started out as a LATC tenant, developed a stone-ground flour milling operation and now sells a variety of flours and flour based mixes made with locally grown crops. The company has relocated to a new facility in Fort Fairfield, Maine.

LDA and the town of Limestone have reached an agreement for law enforcement services at Loring. Limestone contracts with the Aroostook Sheriff's office to provide for a full-time law enforcement presence in Limestone, including Loring Commerce Centre. The arrangement calls for the LDA to contribute an existing police vehicle and a payment of \$45,000 for period July 2005- June 2006; a payment not to exceed \$45,000 for the period July 2006 to June 2007; and a payment to be negotiated thereafter.

LDA has secured a grant through the Wildlife Habitat Incentive Program "WHIP" program, under the USDA's Natural Resource Conservation Service (NRCS) office, which will allow the fish ladder at the LDA's dam on the Little Madawaska River to be restored next summer. The WHIP grant will pay 75% of the cost of the \$40,000 project. Maine Department of Inland Fisheries and Wildlife, the USFW, and the USDA/NRCS are assisting with the project, which will restore the movement of fish upstream of the dam.

The Department of Homeland Security Federal Emergency Management Agency awarded Loring Fire Department a \$68,108 grant to assist with the purchase of safety equipment and gear valued at \$75,675. LDA provided a \$7,567 cash match, equal to 10% of costs.

Loring Fire Department received \$1,169 from the Maine Forest Service Wildland Urban Interface – Dry Hydrant Program. The grant provided for the purchase of equipment and materials and was matched with in-kind services valued at \$1,182. In-kind services included the labor and machinery used to install the hydrant at the USFW's Aroostook Wildlife Refuge at Loring.

Loring Fire Department received \$646 from the Maine Forest Service Volunteer Fire Assistance Grant Program. The grant assisted with the purchase of wildland firefighting gear and LDA provided a 50% cash match.

In addition to its business and real estate development activity, LDA's daily operations include its responsibilities as general manager of the state's largest business-commercial and industrial park including a 1,600-acre aviation complex. LDA is landlord for the leasehold tenants at Loring; the facilities manager for one million square feet of unoccupied building space, an airport and a 200-mile pipeline; and provides a variety of essential services for 23 businesses, 1,433 employees and 493 residents at the 3,700 acre Loring Commerce Centre – it operates a dam, water treatment plant and water distribution system; a wastewater plant and associated infrastructure; maintains and plows 26 miles of roadways; performs grounds maintenance on hundreds of acres of developed and developable property; mans a fire station 24 hours a day with firefighting and emergency medical response personnel; and contracts with the Town of Limestone for law enforcement.

These accomplishments in addition to our past successes have resulted in the expected creation of more than 1,700 jobs and the absorption of over 1.7 million square feet of facility space. Existing facility space remains available for development in addition to hundreds of acres of open land that is ready for new construction with municipal infrastructures in place, making Loring a valuable tool for continuing economic development efforts in Maine.

MARKETING EFFORTS

LDA's aggressive marketing of Loring Commerce Centre has created name brand recognition for Loring within many industries nationally and internationally. Having attracted over twenty tenants to Loring, LDA now uses their success stories to generate interest in its facilities. Industries being pursued include agriculture/food processing; forest products; telecommunications; transportation & distribution; aircraft maintenance, repair & overhaul (MRO); air cargo operations and other niche markets.

There are several buildings available at Loring that could house large or small operations and prime open space that is ready for new construction. The available real estate will be more actively marketed on the LDA website, which when updated will include new building specification sheets. A new Loring Commerce Centre brochure will highlight opportunities available to new and expanding businesses.

LDA is also working to leverage the positive press received since the BRAC vote to expand DFAS was announced and continues to work with Grow DFAS to showcase community assets. Collaboration with other economic development organizations such as Aroostook Partnership for Progress, Northern Maine Development Commission and Maine and Company is also important to marketing Loring's assets.

Support from private organizations is being leveraged as well. Northeast Publishing Company of Presque Isle published *Loring on the Move* in 2004. The 24-page newspaper publication chronicles LDA's history from 1994 to 2004. Work on the publication began after Northeast approached LDA with the idea to publish a follow-up to *Loring on the Rise*, which was published for Loring's fifth anniversary. Both publications do an excellent job of telling the story of Loring, explaining where the project started and how far it's come. LDA purchased

extra copies of the publication to use as marketing material, again taking advantage of the power of a positive story to promote local assets.

Continued marketing efforts are instrumental to the successful establishment of various industries at Loring and to the creation of diverse employment opportunities in northern Maine. Businesses at Loring today have created new jobs the forestry, agriculture, manufacturing, commercial, recreation, health care, telecommunications, data management, finance, mechanics, education, conservation and aviation industries.

OTHER ACTIVITIES & EFFORTS

Summarized below are development activities and efforts that support LDA's goals, accomplishments and future growth at Loring:

A measure included in this year's Supplemental Budget Bill calls for the Bureau of General Services (BGS) to acquire up to ten buildings at Loring for MMA operations. Lease revenue from Loring tenants, including MMA as the single largest tenant, is needed for LDA to continue to operate the general infrastructure at Loring while seeking to maximize the development potential of the former air base. LDA is working with the MMA and the Department of Administrative and Financial Services (DAFS) to craft a solution that continues to serve the broad interests of the state. Loring properties donated from the Air Force are valued at over \$68 million and that may create the risk that LDA is viewed as wealthier than it really is; however, the lofty valuation of the assets is very much dependent on LDA's ability to continue to operate the 3,700 acre complex of buildings and infrastructure that make up the Loring Commerce Centre. Continued operation of Loring Commerce Centre will rely on a continued stream of revenues from leases and real estate sales as well as continued financial support from the state.

LDA worked with Maine and Company and Aroostook Partnership for Progress to prepare a response to a request for information (RFI) from The Staubach Company. Staubach used the RFI to help conduct a site location survey for its client, European Aeronautic Defense and Space Company (EADS), the maker of Airbus aircraft. Although, EADS did not select Loring as the site for the Airbus Long-Range Aircraft Engineering Center, and KC-330 Military Lines, the exercise was an opportunity for Loring to be showcased to Staubach, which may open the door to future development opportunities.

LDA continues efforts to resolve a legal problem encountered with its federal tenants, DFAS and Job Corps, whereby payments for police, fire, ambulance and roadway plowing and maintenance services provided by the LDA was discontinued. It's important for LDA to again obtain the approximately \$200,000 in annual fees that DFAS and Job Corps used to pay in order to avoid compromising the delivery of important public safety services. LDA does not have the power to impose real estate taxes and therefore seeks an equitable contribution towards the costs of the services from all tenants at Loring.

LDA participated in a Regionalism Summit sponsored by the Northern Maine Development Commission (NMDC). The event was well attended by Aroostook County municipal and economic development leaders who are interested in moving forward with regional collaboration efforts that they believe will result in less costly and improved service delivery for their communities. LDA continues to work with communities in the region and has recently finalized a deal with the Town of Limestone to provide law enforcement services at Loring Commerce Centre.

LDA, the Town of Limestone and the Maine Department of Environmental Protection are working together on a significant wastewater system upgrade project that will support the needs of both Limestone and Loring and will help ensure compliance with environmental regulations. This is a regional project whereby Limestone's wastewater system would be connected with Loring's system and both would be discharged in a more environmentally-sound manner in the Aroostook River.

Limestone and LDA were each awarded \$216,500 from a federal State and Tribal Assistance Grant (STAG) to assist with the wastewater project. The size, complexity and enormous costs associated with this project require that it be approached in multiple phases. The first phase, monitoring for inflow and infiltration (I&I) of surface water, was completed this spring and the STAG grant will be used to help begin correcting problems and making upgrades. Subsequent phases of the project and options for the match funding are under discussion. Notably, Caribou could also become a participant of this regional project.

The LDA has requested that the Air Force engage in discussions regarding the funding of necessary upgrades to the water treatment plant. A favorable response to this request means the LDA will soon hold meetings with Air Force officials to begin this dialogue. The Air Force has a legal responsibility to assure that there is an alternative drinking water supply for use at Loring because of contamination to the groundwater resource. Loring's water supply comes from the Little Madawaska River where LDA has a dam and a water treatment plant. The plant was state-of-the-art when built, but is now in need of significant upgrades in order to meet new drinking water regulations.

In 1991, before the base closure announcement, Loring was placed on the National Priorities List (NPL) under the superfund law and that set up the structure for environmental cleanup. LDA recognized the Air Force for the work it has done in completing the environmental remediation at Loring in a technically sound and expeditious manner. It's important that the Air Force and its partners, EPA and MDEP, were able to conduct a \$160 million restoration program concurrently with LDA's development work without any negative impact on redevelopment activities.

A change in Governmental Accounting Standards Board (GASB) requirements meant that LDA had to recognize the value of all assets received from the Air Force. If LDA did not comply with GASB, it could not receive an unqualified audit report and since it is deemed a component unit of the state, the state is subject to receiving a qualified audit report if the LDA is not in compliance with GASB. The state asked LDA to restate its 2003 and 2004 results in conformity with GASB. The LDA has accounted for all structures, infrastructure, vehicles, and the airport, listing them as assets and attaching a value to them. It was a difficult task, given the fact that Loring taken as a whole doesn't have a tremendous value unless individual components are considered. Structures were classified based on whether or not they are in service. Buildings valuations were based on their revenue-producing potential. However, values rest upon the assumption that LDA can continue to generate enough of a revenue base either through its real estate operations or through revenue supplied from the State of Maine or other sources to continue to operate the Loring Commerce Centre infrastructure and to operate the property taken as a whole. If the revenue stream is ever interrupted, building values will disappear.

Due to the cost of heating buildings, more empty buildings will be pickled and no longer heated. Some unheated buildings remain in good condition, but others have experienced severe water damage.

Loring Fire Department received a 2003 Life Safety Achievement for measures taken to prevent loss from fire at Loring. The department continuously promotes fire prevention at Loring and has received the award every year since it was established.

LDA receives requests to host tours of Loring each year and are fortunate to have tenants that are very accommodating. Some of the groups hosted this year were the Maine Development Foundation's Leadership Maine Mu Class and Policy Leaders Academy; Maine Metals Association; USDA's Resource Conservation & Development Program; and others. Additionally, LDA's President & CEO, Carl W. Flora, is often called upon to make presentations for various organizations, such as local rotary clubs, who support or partner with LDA in its economic development work.

A page on the LDA website (Surplus Personal Property, Equipment & Vehicles for Sale & Auction) was used to help with the sale of excess personal property. Smaller items such as office furniture and equipment were sold for a fixed price and larger items such as vehicles were sold by bid.

After serving as LDA's Vice President and General Counsel for nearly nine years, Carl W. Flora was appointed President and CEO in January 2005. He had served in acting capacity for approximately one year prior to his new appointment.

LDA FUNDING

Caretaker Cooperative Agreement Funding: LDA received \$1,817,500 on September 30, 2003 from the Air Force Real Property Agency. It was the last operational funding provided through the ten-year Caretaker Cooperative Agreement and was expended over a 12-month period through September 2004. LDA no longer receives Air Force funding.

State of Maine: In July 2004, the LDA received an appropriation from the State of Maine for \$297,779. This funding continues to be used for match funding for grants and for marketing and operating expenses. The state also provided \$45,000 for operating expenses at the Loring Applied Technology Center through fiscal year 2005.

Tax Increment Financing Fund: The Loring Tax Increment Financing (TIF) Program allows the LDA to receive 50% of the Maine State Income Tax withheld from incremental jobs created at the Loring Commerce Centre (hired subsequent to July 1, 1996) to fund municipal type services provided at Loring. Contributions to this fund for fiscal year 2004 totaled \$472,221.

Property Sale, Lease, Municipal Services and Miscellaneous Revenues: During fiscal year 2005, the LDA received revenues from its tenants, from the sale of personal property and from miscellaneous revenues in the amount of \$1,575,993.

Fish ladder project. LDA has secured a grant through the Wildlife Habitat Incentive Program "WHIP" program, under the USDA's Natural Resource Conservation Service (NRCS) office, which will allow the fish ladder at the LDA's dam on the Little Madawaska River to be

restored next summer. The WHIP grant will pay 75% of the cost of the \$40,000 project. Options for the match funding are under discussion.

Assistance to Firefighters Grant program. The Department of Homeland Security Federal Emergency Management Agency awarded Loring Fire Department a \$68,108 grant to assist with the purchase of safety equipment and gear valued at \$75,675. LDA provided a \$7,567 cash match, equal to 10% of costs.

Maine Forest Service. Loring Fire Department received \$1,169 from the Maine Forest Service Wildland Urban Interface – Dry Hydrant Program. The grant provided for the purchase of equipment and materials and was matched with in-kind services valued at \$1,182. In-kind services included the labor and machinery used to install the hydrant at the USFW's Aroostook Wildlife Refuge at Loring.

Maine Forest Service. Loring Fire Department received \$646 from the Maine Forest Service Volunteer Fire Assistance Grant Program. The grant assisted with the purchase of wildland firefighting gear and LDA provided a 50% cash match.

Katahdin Trust Company: The LDA secured a \$1,000,000 line of credit from Katahdin Trust Company to support development efforts. To date no borrowing has been made on this line of credit.

LORING COMMERCE CENTRE TENANTS

The following is a profile of the activity of Loring's major tenants:

Defense Finance and Accounting Service (DFAS) Center: The DFAS center operates out of a first-class, 145,000 square foot facility where its employees have consistently performed with excellence since the center was established 1995. The center is responsible for finance and accounting for the U.S. Air Force Combat Command, serving several bases and Air National Guard units across the U.S. and in foreign countries. As the DFAS system is reorganized over the next few years, it is expected that the DFAS Limestone center will grow from the 352 jobs it now supports to no less than 600.

Maine Military Authority: The Maine Military Authority (MMA) operates the Army National Guard's Maine RS Maintenance Center where vehicles such as the military humvees (HMMWV's – high mobility multipurpose wheeled vehicles) are refurbished. In November 1997 the operation began in two buildings with 20 employees and a \$4 million budget. Today it occupies nine buildings, employs 538 people and is still growing. It has a budget of over \$40 million and is ISO certified. Being organized as MMA allows the center to have customers other than the National Guard Bureau. A contract with the pentagon, announced in December 2004, created 240 new jobs.

Loring Job Corps Center: The Loring Job Corps Center (LJCC), operated by the Training and Development Corporation (TDC) from Bucksport, Maine, continues to offer successful education and job training programs. LJCC is a top ranking center in New England and nationally. The center has partnered with business at Loring, such as MMA and Pattison Sign Group, to offer its students on-the-job training opportunities. Job Corps students also contribute to the local community by completing several community service projects for

nonprofit organizations every year. LJCC has a student population of 312, employs 144 people and occupies ten buildings

National Job Corps Data Center: The National Job Corps Data Center, operated by RS Information Systems (RSIS), provides data management, data backup and customer assistance services for the U.S. Department of Labor National Job Corps Centers. The remarkable success of the Loring Job Corps Center and Loring's advanced telecommunications infrastructure were principal factors in the decision to locate the data center on site, where sixteen people are employed.

Sitel Insurance Services: Sitel Corporation, the global leader in outsourced telephone-based customer service, began operations at Loring in 1998. The operation includes both outbound and inbound call centers. Two shifts are operated daily, in order to serve its many clients and customers. Sitel employs 243 people on site.

Pattison Sign Group: Pattison Sign Group is part of The Jim Pattison Industries Ltd., based in Vancouver B.C., one of Canada's largest privately held companies. The company custom designs and manufactures illuminated signs such as those used by banks, new car dealerships and many other businesses. Pattison established its first U.S. manufacturing plant at Loring, beginning operations in April 2004 with a contract to supply hundreds of signs to a prominent automobile manufacturing company. This manufacturing operation employs 53 people and employment is expected to grow as the company expands its U.S. based market.

Telford Aviation Services, Inc.: Telford Aviation and its partners are making use of one of Loring's greatest assets, its 1,200-acre aviation complex. Telford expanded its aviation services operation to Loring where it conducts aircraft storage and maintenance. It is also working to establish a UAV (unmanned aerial vehicle) project at Loring with its partner SAIC (Science Applications International Company). The project, which includes the development and testing of unmanned aircraft such as blimps or airships, has received \$1.5 million of federal funding. Telford employs five people and more jobs are expected as the operations expand.

Maine Winter Sports Center (MWSC): MWSC and northern Maine were once again on the world stage when MWSC hosted an international Paralympic Biathlon and Nordic Skiing competition in Fort Kent last winter, with athletes from several countries competing. MWSC will once again be the focus of the Biathlon world in 2006. It was selected by the International Biathlon Union to host the prestigious 2006 Biathlon World Junior Championship at the Nordic Heritage Center in Presque Isle. In addition to hosting world-class events, MWSC has also successfully established Nordic skiing, biathlon and alpine skiing programs in schools and communities throughout Aroostook County, which supports its goal of reestablishing skiing as a lifestyle in the region, while contributing to the regional economy. This project started with a visit to Loring Commerce Centre in 1999 and with the support of the Libra Foundation has expanded significantly in the County and in other areas of Maine. MWSC employs fifteen people.

Aroostook National Wildlife Refuge: The 4,700-acre refuge belongs to the National Wildlife Refuge System, a network of lands set aside specifically for the protection of wildlife and its habitat. Wetland, grassland and northern forest habitats for migratory birds and endangered species are protected on the refuge at Loring. Friends of the Aroostook National Wildlife Refuge support its programs through education, fundraising, recreational and volunteer projects.

Limestone Country Club: Limestone Country Club Developers (LCCD) owns and successfully operates Loring's nine-hole golf course. LCCD also owns 158 housing units on Loring. The rental units consist of eight individual houses and 150 townhouses. Long-range plans for the country club include the sale of house lots adjoining the golf course.

Loring Applied Technology Center (LATC): The LATC is one of Maine's seven Technology Centers that were established to provide business incubation support to entrepreneurs. For more information about LATC, please see the LATC attachment at the end of this report.

New leases, lease renewals and license agreements are outlined in "Paragraph 1C: Property Transactions During Fiscal year 2005" and all Loring tenants are outlined in an attachment at the end of this report.

ACTIVITY STATUS

As of June 30, 2005, 1,445 people were employed at Loring and residential tenants included 157 Commerce Centre employee dependents and 355 Job Corps students for a total of 1,957 people working and living at Loring. Over 1.7 million square feet of facility space (63% of the total space) has been redeveloped and placed back into use, resulting in projected incremental jobs of over 1,700.

LDA BOARD OF TRUSTEES AND STAFFING

At the June 2005 Board of Trustees Annual Meeting, the following Board members were elected as officers for fiscal year 2006, for one-year terms: James Donnelly, Chair; Kay Rand, Vice Chair; Philip Parent, Secretary; and Philip Cyr, Treasurer. Governor Baldacci appointed Terence Harrigan of Bangor and Edmund Therrien of Presque Isle to the LDA Board this year, replacing Brian Thibeau and Sara Gagne-Holmes. Mr. Thibeau served on the Board beginning in 1993 and was instrumental in establishing a solid foundation for development at Loring. Ms. Holmes served on the Board briefly, having resigned from her seat to accept a position on the Governor's staff. LDA's success is largely attributable to the talent and dedication of its Board members. All LDA Trustees have and continue to work together, committed to the organization's mission to acquire, manage and develop the properties of the former Loring Air Force Base for the purpose of facilitating job creation on Loring Commerce Centre.

The LDA development staff includes its President & CEO, Director of Finance & Administration, Property & Human Resources Manager, Executive Assistant, Facilities Administration Manager and Administrative Assistant; Loring Applied Technology Center Director of Business Development and Executive Assistant. The LDA also employs an additional twenty individuals who provide facility maintenance and public safety services at Loring including fire protection and emergency medical services, utilities operations and roads and grounds maintenance.

**Loring Development Authority of Maine
2005 Annual Report**

Paragraph 1B: Audited Financial Statements

**Loring Development Authority of Maine
Fiscal Year 2005 Annual Report
Paragraph 1B: Audited Financial Statements for Fiscal Year 2005
July 1, 2004 through June 30, 2005**

The Independent Auditor's Report for fiscal year 2005 was approved by the LDA Board of Trustees on Wednesday, November 10, 2005.

Financial Statements

LORING DEVELOPMENT AUTHORITY OF MAINE

as of

JUNE 30, 2005

together with

INDEPENDENT AUDITORS' REPORT

LORING DEVELOPMENT AUTHORITY OF MAINE

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

PAGE

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

I-VI

BASIC FINANCIAL STATEMENTS:

EXHIBIT

STATEMENT OF NET ASSETS

A

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

B

STATEMENT OF CASH FLOWS

C

NOTES TO THE FINANCIAL STATEMENTS

SCHEDULE

STATEMENT OF ACTIVITIES

1

PAGE

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

1

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

2-3

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

4

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

5

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

6

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

7

FELCH & COMPANY, LLC
Certified Public Accountants

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(207) 498-3176
FAX (207) 498-6278
E-MAIL: CPA@FELCHCPA.COM

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
Loring Development Authority of Maine

We have audited the accompanying financial statements of proprietary activities of the Loring Development Authority of Maine, a component unit of the State of Maine, as of and for the years ended June 30, 2005 and June 30, 2004, which collectively comprise the basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Loring Development Authority of Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the proprietary activities of the Loring Development Authority of Maine as of June 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards we have also issued our report dated August 17, 2005 on our consideration of the Loring Development Authority of Maine's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Board of Trustees of the
Loring Development Authority of Maine

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Loring Development Authority's basic financial statements. The schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Loring Development Authority. The schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Felch & Company, LLC

August 17, 2005

Loring Development Authority of Maine

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2005

UNAUDITED

The management of the Loring Development Authority of Maine (LDA) is providing the following discussion and analysis of the financial activities for the year ended June 30, 2005. The LDA is a component unit of the State of Maine with a mission to create jobs and positive economic growth by redevelopment of approximately 3,700 acres of the former Loring Air Force Base located in Limestone, Maine.

Report Layout

The management's discussion and analysis is intended to make reports more understandable, easier to read, comprehensible and explain significant change and financial positions between the current and prior year.

The LDA's financial reports are prepared using proprietary fund (enterprise fund) accounting which is the same basis as private-sector business enterprises and utilizes accrual basis of accounting. The accrual method of accounting records income as it is earned and costs as incurred. The basic financial statements include the following: Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, Statement of Cash Flows and Schedule of Federal Awards and Related Costs.

The Statement of Net Assets exhibits the balance of current and capital assets less current liabilities and a net asset balance. As required by GASB 34, the LDA has included the estimated fair market value of net assets (structures, vehicles & equipment, aviation facilities, roads & accessory facilities, railroad facilities, special use structures and land) which were given to the LDA at no cost by the U.S. Air Force. The estimated net fair market value of the capital assets, net of depreciation for the current year is \$68,991,185 as compared to capital asset balance of \$67,503,017 for the prior year ending June 30, 2004.

The Statement of Revenue, Expenses and Changes in Net Assets reports the federal assistance revenue, state assistance revenue, operations revenue less operating costs reflect the change in the net asset value for the current year. The current year is combined with the prior year's net asset changes to reflect the balance as of June 30 2005.

The cash flow statement exhibits the source of revenue and payments of operating expenditures, non capital, and capital financing and net changes for operation activities, which reconcile the cash balance as of June 30, 2005.

The Schedule of Federal Grants provides a detailed list of grant revenue and associated costs for the year ended June 30, 2005. Further explanation of these grants is included in the notes of the audited June 30, 2005 financial statements.

Basic Financial Statements

The LDA's financial reports are prepared using proprietary fund (enterprise fund) accounting which is the same basis as private-sector business enterprises and utilizes the accrual basis of accounting. The accrual basis of accounting records income as it is earned and costs as incurred. The basic financial statements include the following:

- Statement of Net Assets
- Statement of Revenues, Expenses and Changes in Net Assets
- Statement of Cash Flows
- Schedule of Federal Awards and Related Costs

Loring Development Authority of Maine

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005

UNAUDITED

The Statement of Net Assets exhibits the balance of current and capital assets less current liabilities and a net asset balance. As required by generally accepted accounting principles, the LDA has included the estimated fair market value of net assets (structures, vehicles and equipment, aviation facilities, roads and accessory facilities, railroad facilities, and special use structures and land) which were given to the LDA at no cost by the United States Air Force. Table 1 provides condensed data of the Statement of Net Assets for the fiscal years ending 2005 and 2004 as restated.

Table 1

Net Assets

	<u>2005</u>	<u>2004</u>
Current assets	\$ 1,971,108	\$ 3,225,190
Net capital assets	68,991,185	67,503,017
Notes receivable	1,149,224	1,180,511
Other Assets	<u>218,198</u>	<u>-</u>
Total Assets	<u>72,329,715</u>	<u>71,908,718</u>
Current Liabilities	<u>-1,242,392</u>	<u>2,085,825</u>
Total Net Assets	<u>\$71,087,323</u>	<u>\$69,822,893</u>

The Statement of Revenue, Expenses and Changes in Net Assets reports the federal and state assistance and operations revenue less operating costs in order to reflect the change in net asset value for the current year. The current year is combined with the prior year's net asset value to reflect the net asset balance as of June 30, 2005.

Loring Development Authority of Maine

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005

UNAUDITED

Table 2 shows the changes in net assets for the fiscal year 2005.

	<u>2005</u>	<u>2004</u>
Revenues		
Program Revenues		
Federal and State Assistance	\$1,761,375	\$4,654,271
General Revenues		
Lease and Other	<u>1,416,989</u>	<u>1,685,470</u>
Total Operating Revenues	<u>3,178,364</u>	<u>6,339,741</u>
Operating Expenses:		
Salaries and Benefits	1,554,414	1,632,113
Travel	27,506	26,831
Contracted Services	141,797	92,506
Building Projects	68,108	1,380,444
Legal and Audit	69,318	45,090
Marketing	13,736	44,853
Supplies and Expenses	385,784	393,069
Maintenance	380,059	495,348
Utilities	573,950	607,845
Depreciation	<u>813,268</u>	<u>755,164</u>
Total Operating Expenses	<u>4,027,940</u>	<u>5,473,263</u>
Decrease in net assets from operations	<u>(849,576)</u>	<u>866,478</u>
Other Revenues		
Donated Revenue	2,000,000	-
Other	<u>114,006</u>	<u>81,828</u>
	<u>2,114,006</u>	<u>81,828</u>
Increase in Net Assets	<u>\$1,264,430</u>	<u>\$ 948,306</u>

Grants and assistance amount to 55.4% of the LDA's revenues of \$3,178,364 for the year. The Economic Development Administration provided funds of \$49,926 for demolition and renovation to existing structures. The annual Caretaker grant that expired on September 30, 2004 represents another 27.7% of the government assistance in the amount of \$488,138.

Loring Development Authority of Maine

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005

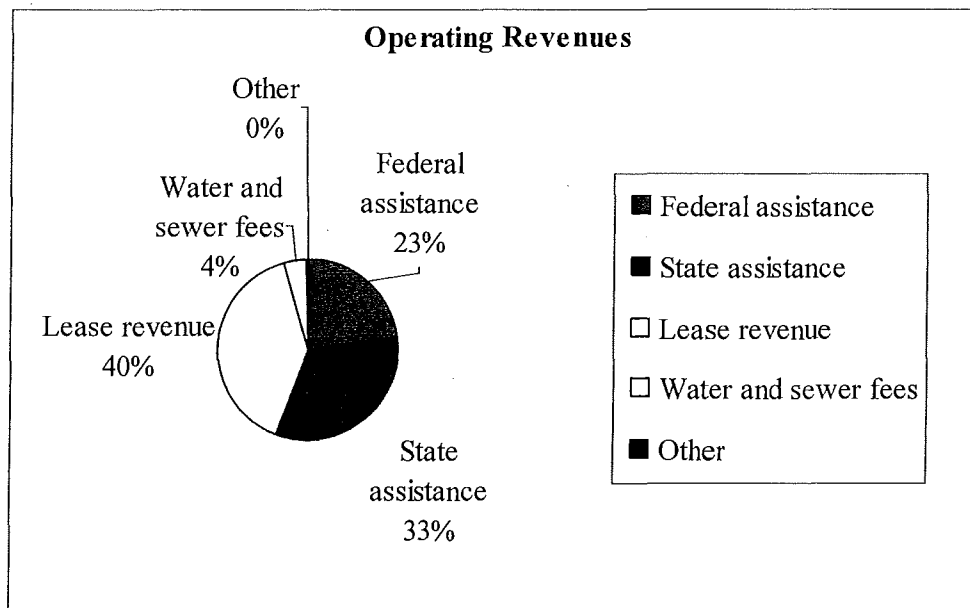
UNAUDITED

The cash flow statement exhibits the source of revenue and payments of operating expenditures, non-capital and capital financing and net changes for operating activities, which reconcile to the current change in cash balances for the year.

The schedule of federal grants provides a detailed list of grant revenues and associated costs for the year ended June 30, 2005. Further explanation of these grants is included in the notes to the financial statements for the year ended June 30, 2005.

The Loring Development Authority's Funds

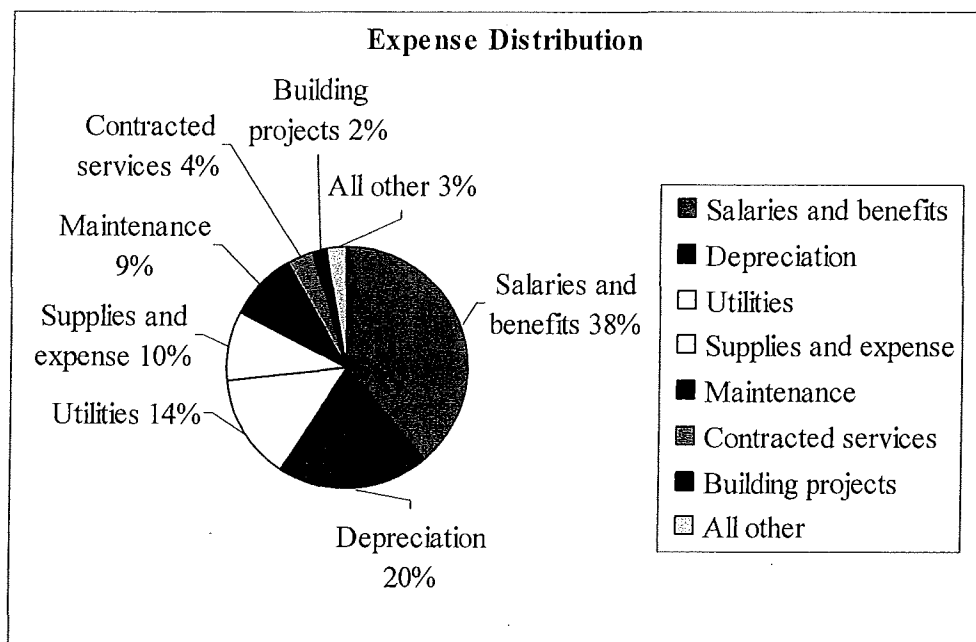
The Loring Development Authority's Funds are accounted for using the accrual basis of accounting. Total revenues and other sources amounted to \$5,292,370 and expenses amounted to \$4,027,940. The following charts reflect the resources and expenditures for the fiscal year ended June 30, 2005.



Loring Development Authority of Maine

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005

UNAUDITED



Capital Assets

At the end of fiscal year 2005, the Loring Development Authority had invested or received land, buildings, improvements, structures and facilities of \$75,552,214. Net of depreciation, these assets were recorded at \$68,991,185. Table 3 shows capital assets, net of accumulated depreciation.

Table 3

**Capital Assets at June 30
(Net of Depreciation)**

	<u>2005</u>	<u>2004</u>
Land	\$10,167,000	\$10,167,000
Buildings and Building Improvements	26,950,616	27,313,866
Equipment and vehicles	359,337	256,867
Special Use Structures	10,418,649	10,669,701
Aviation Facilities	15,578,087	15,578,087
Roadways and accessories	3,517,496	3,517,496
Pipeline	<u>2,000,000</u>	<u>-</u>
Total Net Capital Assets	<u>\$68,991,185</u>	<u>\$67,503,017</u>

Budgeting

The LDA provides an annual budget for control and internal purposes only. No legally adopted budget is maintained.

Loring Development Authority of Maine

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005

UNAUDITED

Debt

The Loring Development Authority had no debt outstanding as of June 30, 2005.

Future Developments

The LDA has taken steps during the last few fiscal years to compensate for the loss of the Caretaker Grant revenue which represents a current annual reduction of approximately \$1.7 million. The Caretaker grant expired in September 2004.

LORING DEVELOPMENT AUTHORITY OF MAINE

EXHIBIT A

STATEMENT OF NET ASSETS
JUNE 30, 2005 AND JUNE 30, 2004

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and temporary investments (Note 3)	\$ 1,110,253	\$ 2,238,296
Due from federal government	134,175	453,095
Due from State of Maine	472,221	337,546
Accounts receivable, net (Note 11)	201,721	170,828
Current portion of notes receivable	21,484	13,464
Other current assets	31,254	11,961
Total current assets	<u>1,971,108</u>	<u>3,225,190</u>
NON-CURRENT ASSETS		
Capital assets (Note 13)	75,552,214	73,250,778
Less allowance for depreciation	<u>(6,561,029)</u>	<u>(5,747,761)</u>
Total noncurrent assets	<u>68,991,185</u>	<u>67,503,017</u>
OTHER ASSETS		
Construction in progress	218,198	-
Notes receivable, net of current portion (Note 12)	<u>1,149,224</u>	<u>1,180,511</u>
Total other assets	<u>1,367,422</u>	<u>1,180,511</u>
Total assets	<u>72,329,715</u>	<u>71,908,718</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	111,372	88,270
Accrued expenses	128,225	240,904
Deferred revenue	32,145	60,430
Advances from federal government	188,848	696,221
Advances from State of Maine	<u>781,802</u>	<u>1,000,000</u>
Total liabilities	<u>1,242,392</u>	<u>2,085,825</u>
<u>NET ASSETS</u>		
Invested in capital assets (Note 13)	68,991,185	67,503,017
UNRESTRICTED		
	<u>2,096,138</u>	<u>2,319,876</u>
Total net assets	<u>\$ 71,087,323</u>	<u>\$ 69,822,893</u>

The accompanying notes are an integral part of this financial statement.

LORING DEVELOPMENT AUTHORITY OF MAINE

EXHIBIT B

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2005 AND JUNE 30, 2004

	<u>2005</u>	<u>2004</u>
Operating revenues		
Federal assistance (Note 9)	\$ 726,408	\$ 3,647,438
State assistance (Note 9)	1,034,967	1,006,833
Lease revenue	1,276,159	961,491
Water and sewer fees	134,004	106,381
Special event	-	535,250
Other	6,826	82,348
Total operating revenues	<u>3,178,364</u>	<u>6,339,741</u>
Operating expenses		
Salaries and benefits	1,554,414	1,632,113
Depreciation	813,268	755,164
Utilities	573,950	607,845
Supplies and expense	385,784	393,069
Maintenance	380,059	495,348
Contracted services	141,797	92,506
Legal and audit	69,318	45,090
Building projects	68,108	1,380,444
Travel	27,506	26,831
Marketing	13,736	44,853
Total operating expenses	<u>4,027,940</u>	<u>5,473,263</u>
Operating income	<u>(849,576)</u>	<u>866,478</u>
Other financing sources		
Sales of surplus property	29,522	33,447
Interest income	84,484	48,381
Transfer of asset from United States Air Force	<u>2,000,000</u>	<u>-</u>
Total other financing sources	<u>2,114,006</u>	<u>81,828</u>
Change in net assets	1,264,430	948,306
TOTAL NET ASSETS - JULY 1, 2004 (Note 14)	<u>69,822,893</u>	<u>68,874,587</u>
TOTAL NET ASSETS - JUNE 30, 2005	<u>\$ 71,087,323</u>	<u>\$ 69,822,893</u>

The accompanying notes are an integral part of this financial statement.

LORING DEVELOPMENT AUTHORITY OF MAINE

EXHIBIT C

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2005 AND JUNE 30, 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,350,985	\$ 1,012,518
Cash received from government assistance	1,945,620	5,032,015
Cash received from other income	6,826	371,978
Cash received payments in lieu of property taxes	-	84,549
Cash payments for salaries and benefits	(1,568,039)	(1,626,836)
Cash payments for contract services	(141,797)	(100,941)
Cash payments for goods and services	<u>(1,613,706)</u>	<u>(3,442,681)</u>
Net cash provided by (used in) operating activities	<u>(20,111)</u>	<u>1,330,602</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Advances from other governments	(725,571)	644,464
Payments received on notes receivable	23,267	30,473
Interest income	<u>84,484</u>	<u>48,381</u>
Net cash provided by (used in) financing activities	<u>(617,820)</u>	<u>723,318</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for capital acquisitions	(519,634)	(1,548,417)
Sales of surplus property	<u>29,522</u>	<u>33,447</u>
Net cash (used) by capital and related financing activities	<u>(490,112)</u>	<u>(1,514,970)</u>
Net increase (decrease) in cash and cash equivalents	(1,128,043)	538,950
Cash and cash equivalents - July 1, 2004	<u>2,238,296</u>	<u>1,699,346</u>
Cash and cash equivalents - June 30, 2005	<u>\$ 1,110,253</u>	<u>\$ 2,238,296</u>
Reconciliation of operating income to net cash (used) by operating activities:		
Operating income	\$ (849,576)	\$ 866,478
Adjustments to reconcile operating income to net cash (used) by operating activities:		
Depreciation	813,268	755,164
Changes in assets and liabilities:		
An (increase) decrease in accounts receivable	(30,893)	29,194
A decrease in due from other governments	184,245	377,744
An (increase) in other current assets	(19,293)	(2,892)
An increase (decrease) in accounts payable	23,102	(443,614)
A (decrease) in deferred revenue	(28,285)	(242,729)
A (decrease) in accrued expenses	<u>(112,679)</u>	<u>(8,743)</u>
Net cash provided by (used in) operating activities	<u>\$ (20,111)</u>	<u>\$ 1,330,602</u>

The accompanying notes are an integral part of this financial statement.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005 AND JUNE 30, 2004

(1) HISTORY OF ORGANIZATION

On July 12, 1991, the President of the United States accepted the recommendation of the Base Closure and Realignment Commission to close Loring Air Force Base (Loring) located in the Town of Limestone, Maine, and the City of Caribou, Maine, as well as nine off-site locations used for housing, communications, and water distribution. The effective date of closure was September 20, 1994. The Loring base property, which excludes any off-site locations, consists of approximately 8,700 acres of land, 3.1 million square feet of existing facility space, and an aviation complex which includes two 12,100 foot runways, related aviation facilities and operating systems.

On July 13, 1993, the Maine State Legislature enacted Public Law Chapter 474, establishing the Loring Development Authority of Maine (LDA), a public municipal corporation, as the successor to the Loring Readjustment Committee. The LDA is entrusted with investigating the acquisition, development, and management of the properties within the geographical boundaries of Loring.

On April 4, 1997, the United States Air Force transferred approximately 3,700 acres of land, associated facilities, infrastructure and personal property to the LDA via the execution of the Economic Development Conveyance (EDC) and Lease in Furtherance of Conveyance documents. This EDC document, which is the mechanism used by the Federal government to transfer former military installations to local reuse authorities for job creation and economic development purposes, transferred control of the Loring property to the LDA through a no-cost 55 year lease, with commitments from the Air Force to transfer title to the property upon receiving clearance from the Environmental Protection Agency. The conveyance documents also include a provision that provided the LDA with an average of \$2.7 million annually through September 30, 2004 to fund its municipal type operations including, but not limited to, fire and emergency services, police protection, water and waste water systems, electrical distribution, as well as maintenance of buildings, grounds, and roadways. This funding expired September 30, 2004. The lease given to the LDA in 1997 has been superseded in 2001 with a Quit Claim deed conveying a part of the property in fee title and in 2004 with the remainder of the property being conveyed by deed. The LDA also acquired a 185 mile pipeline in early 2005.

Consistent with the LDA's enabling legislation as amended, the Board of Trustees is comprised of thirteen (13) voting members, which are nominated by the Governor of the State of Maine of which twelve (12) are confirmed by the Maine Senate. The Governor also designates a commissioner of the department of state government to be a voting, ex officio member of the Board of Trustees. No less than seven (7) of the Board of Trustees must be residents of Aroostook County and be nominated by one or more of the primary impacted communities, as defined in the enabling legislation. In addition, no less than four (4) of the Board of Trustees must live outside of Aroostook County. The enabling legislation also imposes term limits on the Board of Trustees of two consecutive four-year terms. The Board of Trustees has elected a Chair, Vice-chair, Secretary, and Treasurer to serve terms of one year. The fiscal year for the LDA runs from July 1 through June 30. The financial information of the LDA is reported as a component unit as part of the financial statements of the State of Maine.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005 AND JUNE 30, 2004

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The LDA prepares its financial statements on the accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized when earned and measurable and expenses are recognized when incurred and measurable.

Measurement Focus

Proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. The Statement of Changes in Net Assets presents the increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its proprietary activities.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and those reported revenues and expenses. Actual results could differ from those estimates.

Budgetary Information

GASB #34 requires that budgetary comparison schedules be presented only for the general fund and each major special revenue fund that has a legally adopted annual budget. The LDA currently does not legally adopt an annual budget and therefore has not presented one in these financial statements.

(3) CASH IN BANK

The LDA's cash balance in the accompanying financial statements was \$1,110,253 as of June 30, 2005.

Deposits with financial institutions made by the LDA including outstanding items, amounted to \$1,139,191 and are classified by the three categories described below:

Category 1 - Insured or collateralized with securities held by the LDA or its agent in the LDA's name.

Category 2 - Collateralized with securities held by the pledging financial institutions trust department or agent in the LDA's name.

Category 3 - Uncollateralized.

As of June 30, 2005, the entire balance of \$1,139,191 was insured and included in Category 1.

(4) COMPENSATED ABSENCES

LDA employees are granted vacation and sick leave in varying amounts. Upon termination, an employee is paid the full amount of accumulated vacation days not taken. Sick leave is not payable upon termination. The LDA's financial liability for accrued vacations as of June 30, 2005 is \$51,459.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005 AND JUNE 30, 2004

(5) PENSION PLAN

The LDA has instituted a Model Simplified Employee Pension Plan for all eligible LDA employees in accordance with Section 408K of the Internal Revenue code. All LDA contributions to the employees individual retirement accounts become 100% vested to the employee upon contribution. Employees' contributions to the plan are discretionary, subject to the Internal Revenue Code limitations. Employer contributions to the plan, at 5% of gross wages totaled \$59,473.

(6) RENTAL OF FACILITIES

The LDA had subleased land and buildings at Loring to various third parties under noncancellable operating leases requiring fixed payments through 2015. The leases provide for varying terms and conditions.

As of June 30, 2005, future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
<u>Ending</u>	
2006	\$1,145,091
2007	926,951
2008	796,721
2009	728,332
2010	66,635
Thereafter	26,050
	<u>\$3,689,780</u>

(7) DEFERRED REVENUE

The LDA received advances of rents and some prepaid receipts which have been characterized as deferred revenue in the accompanying Statement of Net Assets.

(8) LINE OF CREDIT

The LDA has a variable rate operating line of credit payable at "Wall Street Prime" with a maximum limit of \$1,000,000. As of June 30, 2005, the entire amount was available for use.

(9) PUBLIC SECTOR FUNDING

The LDA is currently funded through the following public sources:

- (A) State of Maine - The State appropriated \$297,779 for the fiscal year ending June 30, 2005. These funds are to be used to defray operating expenses, support development of the reuse strategy, and to use as matching funds to obtain federal and other grants.
- (B) Tax Increment Financing-On July 5, 1996, the State Legislature enacted LD 1741 establishing the Loring Job Increment Financing Fund (Fund). The Fund, which has a term of twenty (20) years, was created to establish a supplemental source of funding to subsidize future municipal service costs. This Fund will receive state income tax withholding revenues which can be attributed to incremental jobs created at Loring, and will be based on 50% of the State income tax withheld from those incremental jobs. State contributions to the Fund will be made on an annual basis and are payable by July 31 of each year. The LDA has realized revenues of \$472,221 for the fiscal year ending June 30, 2005.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005 AND JUNE 30, 2004

(9) PUBLIC SECTOR FUNDING (Continued)

- (C) Loring Applied Technology Center - The Maine Legislature also appropriated funding to subsidize the day-to-day operations of the LATC, of which \$45,000 was received during the fiscal year ending June 30, 2005.
- (D) State of Maine - The State of Maine Department of Transportation awarded the LDA a grant of \$1,000,000 for airport facility renovations. Total funding earned by the LDA through this grant for the fiscal year ending June 30, 2005 was \$218,198.
- (E) State of Maine - The LDA was awarded by the State of Maine, a grant of \$600 for volunteer fire fighter assistance. Total funding earned under this grant for the fiscal year ending June 30, 2005 was \$600.
- (F) State of Maine - The LDA was awarded a grant of \$1,169 under the State of Maine's Dry Hydrant program. Total funding earned under this grant for the fiscal year ending June 30, 2005 was \$1,169.
- (G) Air Force Real Property Agency (AFRPA) - Pursuant to the terms of the EDC property transfer on April 4, 1997, the LDA received protection and maintenance funding from AFRPA through September 30, 2004 through an annual negotiation. This funding was for, among other things, the operation of water and sewer systems, fire emergency and police protection, and the protection and maintenance of buildings, grounds, and roadway systems. Total funding for the fiscal year ending June 30, 2005 was \$488,138.
- (H) Office of Economic Adjustment (OEA) - The OEA has awarded a grant to the LDA to provide operational funding. Total funding earned by the LDA through this grant for the fiscal year ending June 30, 2005 was \$108,507.
- (I) On October 17, 2002 the EDA awarded the LDA a grant of \$1,410,000 to renovate a 119,000 square foot facility for reuse. The LDA must match this grant with \$940,000 for a total project cost of \$2,350,000. The LDA received a Community Development Block Grant from the Town of Limestone for \$400,000 to use towards the \$940,000 matching requirement. The LDA realized revenue of \$49,926 from EDA for the fiscal year ending June 30, 2005.
- (J) Federal Emergency Management Agency (FEMA) - The LDA was awarded grants to cover the cost of ice and snow removal. The LDA realized revenue of \$11,729 for the fiscal year ending June 30, 2005.
- (K) Department of Homeland Security - The Department of Homeland Security awarded the LDA a grant of \$68,108. Total funding earned by the LDA through this grant for the fiscal year ending June 30, 2005 was \$68,108.

(10) CONCENTRATION OF RISK

Federal and State Funding

The LDA received approximately 55% of its operating revenue from federal and state funding for the year ended June 30, 2005. The ability to continue its operations is dependent on continued funding.

Accounts Receivable

For the year ended June 30, 2005, approximately 75% of the LDA's accounts receivable was due from three customers.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005 AND JUNE 30, 2004

(11) ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are shown net of the allowance for doubtful accounts. The allowance for doubtful accounts was estimated at \$15,000 for the year ending June 30, 2005.

(12) NOTES RECEIVABLE

On May 9, 2001 the LDA sold 271.5 acres of land to Tin Cup Land Company LLC for \$1,600,000 less \$1,912 in closing costs, resulting in a net sale price of \$1,598,088. The LDA received \$318,088 in cash, and originally financed the remaining \$1,280,000 in the form of a note payable in quarterly installments for a period of fifteen (15) years. Beginning in May 2002, the LDA began working with Tin Cup Land Company LLC, because of an unforeseen loss of tenants (DFAS had decided to eliminate military workers at its center). As a result, LDA has received interest payments together with reduced principal payments. Based on new financial projections for Tin Cup Land Company LLC, management plans to restructure the note. As of June 30, 2005, the outstanding balance of this note was \$1,160,536. In management's opinion, the note will be collected in full.

On December 12, 2002, the LDA provided a \$15,000 note, secured by equipment, to Maine Street Flour Company, payable in quarterly installments for a period of seven years. The balance of this loan as of the date of the financial statement is \$10,172.

Management feels that both loans are collectible and, therefore, have not currently provided any provision for bad debts.

(13) CAPITAL ASSETS

With the exception of the assets acquired from the United States Air Force, (see below) all capital assets are stated at cost (or estimated historical cost) and updated for additions and retirements during the year. Assets acquired with grants are also stated at cost. The LDA maintains a capitalization threshold of \$5,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Assets such as land and some land improvements are considered inexhaustible and are not being depreciated.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	15-50 years
Equipment	3-5 years
Vehicles	3-5 years

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005 AND JUNE 30, 2004

(13) CAPITAL ASSETS (Continued)

Capital asset activity for the fiscal year ended June 30, 2005 was as follows:

CAPITAL ASSETS ACQUIRED BY LDA - (at historical cost)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retire- ments/ Reclassi- fications</u>	<u>Ending Balance</u>
<u>Capital Assets</u>				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Vehicles and equipment	333,432	151,038	-	484,470
Totals at historical cost	343,432	151,038	-	494,470
<u>Less Accumulated Depreciation</u>				
Vehicles and equipment	165,565	48,568	-	214,133
Total accumulated depreciation	165,565	48,568	-	214,133
Capital assets at historical cost, net	\$ 177,867	\$ 102,470	\$ -	\$ 280,337

CAPITAL ASSETS ACQUIRED FROM AIR FORCE - (Note 14)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retire- ments/ Reclassi- fications</u>	<u>Ending Balance</u>
<u>Capital Assets</u>				
Land	\$10,157,000	\$ -	\$ -	\$10,157,000
Buildings				
In use	5,925,889	-	-	5,925,889
Leased	19,086,925	150,398	129,823	19,367,146
Not in use	5,857,860	-	(129,823)	5,728,037
	30,870,674	150,398	-	31,021,072
Vehicles and equipment				
In use	142,500	-	-	142,500
Not in use	89,000	-	-	89,000
	231,500	-	-	231,500
Special Use Structures				
Water plant and distribution	5,080,033	-	-	5,080,033
Sewer and waste water	7,472,556	-	-	7,472,556
Total Special Use Structures	12,552,589	-	-	12,552,589

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005 AND JUNE 30, 2004(13) CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retire- ments/ Reclassi- fications</u>	<u>Ending Balance</u>
Other Facilities and Improvements				
Aviation facilities				
Runways	9,472,226	-	-	9,472,226
Structures	6,105,861	-	-	6,105,861
Natural gas pipeline	-	2,000,000	-	2,000,000
Total Other Facilities	15,578,087	2,000,000	-	17,578,087
Roadways and accessories	3,517,496	-	-	3,517,496
Capital assets from United States Air Force	72,907,346	2,150,398	-	75,057,744
<u>Less Accumulated Depreciation</u>				
Buildings				
In use	888,572	118,518	-	1,007,090
Leased	2,668,236	395,130	-	3,063,366
	3,556,808	513,648	-	4,070,456
Vehicles and equipment				
In use	142,500	-	-	142,500
Special Use Structures				
Water plant and distribution	762,005	101,601	-	863,606
Sewer and waste water	1,120,883	149,451	-	1,270,334
	1,882,888	251,052	-	2,133,940
Total accumulated depreciation	5,582,196	764,700	-	6,346,896
Capital assets acquired from Air Force, net	67,325,150	1,385,698	-	68,710,848
TOTAL CAPITAL ASSETS				
Capital assets	73,250,778	2,301,436	-	75,552,214
Less accumulated depreciation	(5,747,761)	(813,268)	-	(6,561,029)
Total net capital assets	\$67,503,017	\$1,488,168	\$-	\$68,991,185

On April 4, 1997, the LDA received 3,600 acres of land, associated facilities, and personal property from the United States Air Force via a 55-year no-cost lease. In accordance with generally accepted accounting principles all assets associated with this lease were capitalized at estimated fair market value.

During fiscal year 2005, the United State Air Force transferred to the LDA additional property consisting of a natural gas pipeline extending from Searsport, Maine to Limestone, Maine. The pipeline was not in service at June 30, 2005, but is expected to be leased during the subsequent fiscal year.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005 AND JUNE 30, 2004

(13) CAPITAL ASSETS (Continued)

During the fiscal year, the United State Air Force transferred to LDA the title to a building currently occupied by federal employees (DFAS). The transfer of the deed for the DFAS property to LDA was contingent upon LDA's promise to lease the property back to the United States at no cost. The 50-year lease may be renewed or extended by the U.S. Government at its option and there is no provision in the lease for LDA to decline an extension or renewal. The U.S. Government may also terminate the lease at any time, but LDA is not given the option to terminate the lease.

The U.S. Government may use the property for any government purpose and is not required to pay any taxes, assessments or similar charges. However, the U.S. Government is responsible for all costs and liabilities associated with the property as if it were the owner.

Accordingly, the DFAS center is not included as a capital asset on these financial statements.

Management feels that the value of these assets could fluctuate significantly in the event that the operational status of the LDA changes.

(14) PRIOR PERIOD ADJUSTMENT

In fiscal year 2004, the net assets of the LDA were adjusted for the year ending June 30, 2003 for assets acquired from the United States Air Force on April 4, 1997. During 2005, it was discovered that the prior period adjustment on the 2004 statement was found to contain an overstatement of capital assets; the net effect of the adjustments is as follows:

	<u>Corrected</u> <u>June 30, 2005</u>	<u>As Adjusted</u> <u>June 30, 2004</u>
Increase in Capital Assets	\$71,513,486	\$72,504,154
Increase in Accumulated Depreciation	<u>(4,842,460)</u>	<u>(4,971,245)</u>
Net effect of change	66,671,026	67,532,909
Prior balance of net assets - June 30, 2003	<u>2,203,561</u>	<u>2,203,561</u>
Beginning balance of net assets	<u>\$68,874,587</u>	<u>\$69,736,470</u>

Operating expenses for the fiscal year ending June 30, 2004 were also restated to conform to the current year's presentation. The restatement resulted in a reduction of depreciation expense for the fiscal year ended June 30, 2004 of \$19,813.

LORING DEVELOPMENT AUTHORITY OF MAINE

SCHEDULE 1

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

<u>Function</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants/ Contributions</u>	<u>Total</u>
General operations	\$ <u>(4,027,940)</u>	\$ <u>1,410,163</u>	\$ <u>2,723,251</u>	\$ <u>268,124</u>	\$ <u>373,598</u>
General revenues:					
State appropriations					297,779
Loring Job Incremental Financing					472,221
Interest income					84,484
Sales of surplus property					29,522
Other					<u>6,826</u>
					<u>890,832</u>
Change in net assets					1,264,430
Net assets, June 30, 2004, as restated					<u>69,822,893</u>
Net assets, June 30, 2005					<u>\$ 71,087,323</u>

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of the
Loring Development Authority of Maine

We have audited the financial statements of the proprietary activities of Loring Development Authority (LDA) of Maine, a component unit of the State of Maine, as of and for the year ended June 30, 2005, which collectively comprise the LDA's basic financial statements and have issued our report thereon dated August 17, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the LDA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LDA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the LDA Board of Trustees, LDA management, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

August 17, 2005

Felch & Company, LLC

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Trustees of the
Loring Development Authority of Maine

We have audited the compliance of Loring Development Authority (LDA) of Maine, a component unit of the State of Maine, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Loring Development Authority of Maine's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of LDA's management. Our responsibility is to express an opinion on LDA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about LDA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on LDA's compliance with those requirements.

In our opinion, LDA complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of LDA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered LDA's internal control over compliance with requirements that could have a direct and material effect on each major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

To the Board of Trustees of the
Loring Development Authority of Maine

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the LDA Board of Trustees, LDA management, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Felch & Company, LLC

August 17, 2005

LORING DEVELOPMENT AUTHORITY OF MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: *unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported
- Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Reportable condition(s) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Type of auditors' report issued on compliance for major programs: *unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☐ yes ☒ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
12.999	Base Caretaker Cooperative Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

LORING DEVELOPMENT AUTHORITY OF MAINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/ Program Title	Federal CFDA Number	Federal Award Amount	Revenue Recognized	Expenditures
<u>U.S. Department of Defense</u>				
Air Force Base Conversion Agency	12.unknown	\$1,817,500	\$488,138	\$ 488,138
Base Caretaker Annual Grant				
Office of Economic Adjustment	12.607	300,000	108,507	108,507
Grant CL9203-04-09				
<u>U.S. Department of Commerce</u>				
Grant 01-01-07786	11.300	1,410,000	49,926	49,926
<u>Department of Homeland Security</u>				
EMW-2004-GF-13583	97.044	68,108	68,108	68,108
<u>Federal Emergency Management Agency</u>				
3209-EM-ME-000-UES7K-00	7.036	4,753	4,753	4,753
3206-EM-ME-000-UES7K-00	7.036	6,976	6,976	6,976
			<u>\$726,408</u>	<u>\$ 726,408</u>

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes the federal grant activity of Loring Development Authority of Maine and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

LORING DEVELOPMENT AUTHORITY OF MAINE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005

There were no material audit findings reported for the year ended June 30, 2004 that require follow-up in the June 30, 2005 report.

**Loring Development Authority of Maine
2005 Annual Report**

Paragraph 1C: Property Transactions

**Loring Development Authority of Maine
Fiscal Year 2005 Annual Report
Paragraph 1C: Property Transactions during Fiscal Year 2005
July 1, 2004 through June 30, 2005**

PROPERTY TRANSACTIONS DURING FISCAL YEAR 2005

LDA received title to the remaining 918 acres of property at Loring that it had controlled under a 55-year lease agreement with the Air Force. The property primarily consists of Loring's core industrial area. LDA now has title to the 3,700 acres of property at Loring.

LDA received title to the 15-acre DFAS property under a lease-back agreement with the Air Force, which allows DFAS to occupy the property indefinitely under a no-cost lease. Should the federal government vacate the building, LDA will control it as the owner.

Title to the Searsport to Loring pipeline and associated easements and right-of-ways along the 200 mile corridor was also secured by LDA this year. The pipeline is an important part of the Loring Bioenergy (LBE) project. LBE intends to use the pipeline to transport natural gas from southern Maine to Loring.

LBE extended its option agreement for the purchase of the former steam-heat plant and surrounding property, where it proposes to operate a 55-megawatt electric generation and steam production facility. The option remains open to LBE until early November 2005.

The LDA and US Fish and Wildlife Services (USFW) land swap is complete. LDA exchanged 56 acres of wooded property at Loring for a one-mile section of Nebraska Road that was owned by USFW. The road provides an important means of access to Loring Commerce Centre from the north and west, but USFW does not have the means to maintain a road. LDA will now work to ensure that the easterly section of the road is restored and transferred to the City of Caribou then reclassified as a minor collector, which is the same classification given to the westerly section of the road.

MMA leased an additional 60,000 square feet of space at Loring. The newly leased space is in building #7220, which also houses Pattison Sign's manufacturing facility. MMA now occupies over 378,000 square feet of building space in nine buildings.

LDA entered into a lease agreement with Ernest Murphy for space in building #5055 where he operates his new restaurant, The Flightline Café & Catering. The lease agreement also allows Mr. Murphy the use of the NCO Club for hosting special events and functions.

MWH extended its lease agreements for buildings #8409 and #8413 for one year. The company supports the Air Force environmental remediation efforts at Loring.

Coastal Enterprises, Inc (CEI) and Shirley Goade entered into lease agreements for office space at the Loring Applied Technology Center (LATC). The CEI office supports its Jobs for Low-income Individuals (JOLI) Program and Ms. Goade, a Senior Sales Director for Mary Kay, expanded her home based business to Loring to better serve her clients.

LDA issued short-term licenses to businesses and organizations in need of short-term use of various facilities at Loring.

LDA entered into a management agreement with the Limestone Country Club Developers to operate the former Haven Inn as the Loring Inn, after the operator of the inn decided to close it in December 2004. Significant costs of the heating season and the winter months being the traditional strong revenue months for the local hospitality industry meant that it was an inopportune time for the hotel to close.

**Loring Development Authority of Maine
2005 Annual Report**

**Paragraph 1D: Activities of any
Special Utility District
Formed Under Section 13080-G**

NONE

**Loring Development Authority of Maine
2005 Annual Report**

**Paragraph 1E: Listing of Property Acquired By
Eminent Domain Under
Section 13080-G**

NONE

**Loring Development Authority of Maine
2005 Annual Report**

Paragraph 1F: Listing of Bonds Issued

NONE

**Loring Development Authority of Maine
2005 Annual Report**

**Paragraph 1G: Subsequent Events and Proposed
Activities for Fiscal Year 2006**

**Loring Development Authority of Maine
Fiscal Year 2005 Annual Report
Paragraph 1G: Subsequent Events (Through October 15, 2005)
and Proposed Activities for Fiscal Year 2006
(July 1, 2005 through June 30, 2006)**

SUBSEQUENT EVENTS (JULY 1, 2005 THROUGH OCTOBER 15, 2005)

A summary of the activities on the Loring Commerce Centre between July 1, 2005 and October 15, 2005 is provided below:

LDA, Department of Administrative and Financial Services (DAFS) Commissioner, Rebecca Wyke, and Elaine Clark, Director of the Bureau of General Services (BGS) began discussions about the transfer of ten LDA buildings to the BGS for Maine Military Authority operations.

Sitel Corporation is considering the addition of backup power generators, which could support an expansion at Loring. LDA and its economic development partners are working with Sitel in support of the expansion.

A lease agreement for the use of nose dock hangar #22 at Loring was extended. Durepo & Durepo continues to use the building for grain storage.

LDA met with Tim Culbert of the U.S. Transportation Security Administration regarding how Loring may be used to support TSA efforts.

LDA is working with Dave Fitts of Maine's Risk Management Division to determine if LDA would benefit from participating in the state's risk management pool.

LDA is working with representatives of the local workforce investment board regarding a grant opportunity that would assist with workforce needs created by the Base Realignment and Closure decision to expand the Defense Finance and Accounting Service (DFAS) center at Loring.

The expansion of DFAS continues to generate interest throughout the state. Carl Flora, President & CEO was interviewed by local media representatives as well as by the Portland Press Herald, WLBZ-TV and the Voice of Maine radio talk show, Maine in the Morning. Northern Maine suffers from the perception that the workforce is not adequate to support business growth. Due to high levels of underemployment and recent out-migration, the workforce will actually support significant employment growth.

Loring Job Corps celebrated the 40th anniversary of the National Job Corps program with an open house at Loring. The event that featured activities for all ages included parades of Harley motorcycles and antique vehicles on Loring's two-mile long runway.

MARKETING ACTIVITIES

During this period LDA continued to develop its new marketing initiative; final revisions for the new brochure were considered and new building specification sheets were discussed. The spec sheets will highlight the many facilities still available at Loring as well as the sites available for new construction. Website revisions that will make the site easier to navigate and more informative were also discussed.

The initiative also includes the reallocation of staff responsibilities. Ed Nickerson is now Director of Business Development for all of Loring, and continues to direct the activity of the Loring Applied Technology Center (LATC). Diane Martin, Executive Assistant at the LATC, assumed more responsibility in overseeing LATC activity in addition to undertaking a major role in the marketing initiative.

The LDA continues to take advantage of opportunities to collaborate with the Aroostook Partnership for Progress, an effective network of site location consultants, corporate real estate executives and numerous other state and local economic development entities in its efforts to market the Loring Commerce Centre.

FISCAL YEAR 2006 FUNDING

LDA Operational Funding: In July 2005, the LDA received an appropriation from the State of Maine for \$282,890. This funding continues to be used for match funding for Federal grants and for marketing and operating expenses. The State also provided \$33,321 for operating expenses at the Loring Applied Technology Center through fiscal year 2006.

State and Tribal Assistance Grant (STAG). LDA was awarded a \$216,500 STAG to assist with its wastewater system upgrade project. The project is part of a regional wastewater system project that includes the Town of Limestone and potentially the City of Caribou. The size, complexity and enormous costs associated with this project require that it be approached in multiple phases. Options for the match funding are under discussion.

Department of Homeland Security: In August 2005, the Department of Homeland Security Federal Emergency Management Agency awarded Loring Fire Department a \$36,727 grant to assist with the refurbishment of a tanker. The project is valued at \$38,659. LDA will provide a \$1,932 cash match, equal to 5% of costs.

PROPOSED AND PROJECTED ACTIVITIES FOR FISCAL YEAR 2006

In addition to ensuring that our existing tenants remain viable business entities, the LDA intends to carry out the following activities in fiscal year 2005:

- ❑ Continue to work with Grow DFAS to support the expansion and to secure more than the minimum requirement of 250 additional jobs. Also work with the communities to meet the needs of families transferring in from closing DFAS centers.
- ❑ Complete the transfer of property to Danny MacDonald, owner of MacDonald Enterprises at Loring. The transfer will include two buildings and adjacent land, which MacDonald is now leasing.

- ❑ Continue to work with the FAA to secure an instrument certification for the Loring International Airport. The certification is necessary for Loring's airport to reach its fullest potential.
- ❑ Aggressively pursue aviation development at the Loring International Airport consistent with the niche markets identified by the community-based Aviation Task Force (i.e.: aircraft maintenance, repair, manufacturing and overhaul, aircraft storage and cargo operations).
- ❑ Aggressively pursue businesses in the data transmissions industry and small space users. Significant telecommunications infrastructure upgrades made by Verizon at Loring support Sitel, the National Job Corps Data Center, DFAS and other businesses. LDA will continue to market this little recognized asset.
- ❑ Aggressively pursue businesses in the precision manufacturing industries. Northern Maine Community College has a precision manufacturing program in place to support precision manufacturing industries and the demand for their services in the region.
- ❑ Take full advantage of the Loring Applied Technology Center, marketing the facility and services to start-up businesses and entrepreneurs.
- ❑ Complete additional renovations of the Arch hangar with funding from the Maine Department of Transportation bond package, supporting the retention and creation of jobs in the aviation industry.
- ❑ Complete the repair of the fish ladder at the LDA dam on the Little Madawaska River with the help of a USDA/NRCS grant. The USDA grant will cover 75% of project costs and LDA is working to secure additional grant funding to cover the remaining 25% of the project.
- ❑ Continue to discuss the consolidation of municipal services with neighboring communities.
- ❑ Continue working with the Town of Limestone and the Maine Department of Environmental Protection on a regional wastewater system project that will support the needs of both Limestone and Loring and will help ensure compliance with environmental regulations.
- ❑ Continue working with the Air Force to ensure Loring has a dependable drinking water supply.
- ❑ Continue working with the Bureau of Indian Affairs (BIA) on the transfer of property on Loring to the BIA, to be held in trust for the benefit of the Aroostook Band of Micmacs (ABM), helping to ensure the compatibility of existing and future development on Loring, and assisting the ABM to realize the commercial potential for their property.
- ❑ Facilitate the due diligence process with Maine Lighthouse Corporation in support of their proposed long-term rehabilitation project.
- ❑ Facilitate the due diligence process with Loring BioEnergy, LLC in support of their proposed energy generation operation on Loring.

- ❑ Facilitate the due diligence process with Maine Emergency Management Agency on a proposal to locate a Fire Training Academy at Loring that would be used to train firefighters from throughout New England.
- ❑ Facilitate the due diligence process with the Loring Military Heritage Center's proposed museum of Loring history.
- ❑ Work with Aroostook Partnership for Progress in its efforts to market the County, including Loring and to attract new economic development projects to northern Maine.
- ❑ Continue working with Senator Collins to resolve the municipal service fees issue encountered by LDA's federal tenants, Job Corps and DFAS.
- ❑ Continue to respond to inquiries from private sector companies in the targeted market areas of aviation, telecommunications, value-added forest products manufacturing, food processing and industrial manufacturing.
- ❑ Continue to develop and enhance long-term funding strategies that will maximize our ability to reach our development objectives.
- ❑ Be prepared to move into a third phase of development, which includes building new facilities for large space users and other prospects. LDA has few large facilities available.
- ❑ Continue to garner local, regional and statewide support for development efforts.
- ❑ Continue demolishing substandard structures on Loring, increasing the Commerce Centre's marketability by creating open space for new construction and improving its aesthetic value.
- ❑ Periodically contact Irving Forest Products, Inc., in support of the contemplated construction of the value-added forest products manufacturing complex, when the market allows for expansion.
- ❑ Periodically contact Lamb Weston in support of the contemplated construction of a value-added potato processing facility when the market allows for expansion.

EMPLOYMENT/TENANT SUMMARY

As of September 30, 2005, 1,428 people were employed on Loring and 170 Commerce Centre employee dependents and 312 Job Corps students were living on Loring for a total of 1,910 people working and/or living on Loring.

**Loring Development Authority of Maine
2005 Annual Report**

**Paragraph 1H: Further Actions Suitable for
Achieving the Purposes of this Article**

**Loring Development Authority of Maine
Fiscal Year 2005 Annual Report
Paragraph 1H: Further Actions Suitable for Achieving Purposes of this Article**

FURTHER ACTIONS SUITABLE FOR ACHIEVING PURPOSES OF THIS ARTICLE

LDA's greatest challenge as it moves ahead is developing a sustainable financial structure that will support the infrastructure upgrades needed at Loring including water and wastewater systems upgrades, roads maintenance, aviation facilities upgrades and building repairs.

Over the past eleven years, the work of the LDA and its partners has changed the perceptions of many people with respect to the development capacity of Aroostook County. LDA's major milestones from June 13, 1994 through today consist of many development successes including the transfer of control of the property from the Air Force to the LDA; the evolution of business deals from short-term leases to long-term leases and eventually the sale of some properties; the attraction of the employers DFAS, Job Corps and Sitel to Loring; securing all the aviation equipment including the ILS (instrument landing system); the success of startup businesses such as MMA's vehicle refurbishment operations and businesses in the Loring Applied Technology Center as well as the success of business expansions including The Telford Group and Pattison Sign Group; and the most important measure of success - the more than 1,400 jobs that may well have never been created in the Maine economy but for the unique real estate assets at Loring; therefore, it is critical that these assets be given the attention needed so that they are able to continue to support existing and future jobs at Loring.

From October 1994 to September 2004 economic development at Loring was supported by Air Force Caretaker funding that provided approximately \$2 million per year for infrastructure maintenance and protection and municipal services. LDA now relies on a combination of State funding and operating revenues and financial assistance from the State is most critical to the completion of infrastructure upgrades. Investments of public resources at Loring have proven to be prudent, profitable investments. Businesses at Loring have diversified and strengthened the economy in northern Maine and the increased activity provides substantial returns in terms of direct payroll, state and local taxes and indirect spin-off activity in the surrounding communities.

LDA operations support daily activity, but it is imperative that the State of Maine and the local communities take a more active financial role in the future development efforts. Since inception LDA worked diligently to structure the organization and its revenue generating capacity in a manner that makes prudent sense to all taxpayers of Maine. Financial support from the State of Maine will help ensure that LDA continues to achieve the purposes for which it was created.

Please also see Proposed Activities for Fiscal Year 2005, beginning on page 25.

Loring Development Authority of Maine 2005 Annual Report

Attachments:

- ◆ **Loring Applied Technology Center**
- ◆ **Loring Development Authority Board of Trustees**
- ◆ **Loring Development Authority Development Staff**
- ◆ **Loring Commerce Centre Tenants**
- ◆ **Employment/Tenant Status Report**

Loring Applied Technology Center 2005 Summary of Activities

The Loring Applied Technology Center (LATC) operations are located in a 42,075 square foot building that encompasses shared services areas and equipment, business and technical support for new businesses, as well as individual tenant spaces for lease. Management of the incubator is performed by Edwin E. Nickerson, Executive Director, and Diane M. Martin, Executive Assistant. The LATC has been in operation since August 2001 and participates in the Maine Applied Technology Development Center System.

The staff at the Loring Applied Technology Center, Executive Director and Executive Assistant, are employees under the umbrella organization of the Loring Development Authority of Maine (LDA). As LDA employees the Director and Assistant are an integral part of the overall economic and business development plan of the LDA, whose mission of business development frequently overlaps with and complements the mission of the incubator. A collaborative partnership with the LDA insures that individuals and/or companies interested in locating at the Loring Commerce Centre receive comprehensive and consistent information regarding available resources.

In order to implement this plan all inquiries regarding location and available services at Loring are funneled to one individual. This is a “one-stop shopping” approach for new business development, giving the LDA and the LATC the opportunity to best determine if a potential tenant requires simply “bricks & mortar” lease space or business and financial advice and services and/or smaller start-up tenant space such as is available at the incubator. As proof of this collaborative partnership within these organizations, Ed Nickerson, Executive Director for the LATC also has the designation of Business Development Director for the LDA.

There are five tenants currently leasing space in the Center and several affiliate members “outside the walls” of the incubator who utilize incubator services.

Over the past year the LATC has hosted and/or sponsored the following seminars:

- Patent Law - Your Invention: Protection and Commercialization
- Using your Computer to Manage & Market Your Small Business
- The ABC's of Borrowing and The Truth about Grants
- How to Start a Business
- Enhancing Linkages Between Rural Food Retailer and local Food Producer
- Starting Your Own Business
- Access E-Commerce/Exploring E-Commerce
- Planning Your Web Site
- Promoting Your Web Site
- Cary Medical Center Training Workshop
- Fabrication and Skills Training Seminar
- Northern Maine Safety Symposium
- Soil and Water Conservation seminar
- Maine Rural Water seminar
- DFAS/BRAC closure meetings and decision

- SBA Workforce Development workshop

The LATC was host to newly elected officials when the Annual Legislative Tour was held in March. This event is a unique opportunity for us to showcase the incubator facility, our tenants and the services we provide. The LATC supported similar functions for the Maine Metal Products Association, The Canadian Manufacturers and Exporters Groups and Leadership Maine. In addition, educational presentations highlighting the LATC were made to the Northern Maine Development Commission Board of Directors and The Northern Maine Fair Association. LATC tenants and/or staff have attended the following shows in the past year:

- The Maine Department of Agriculture Show, Augusta, ME
- The 2005 New England Products Trade Show, Portland, ME
- 2005 Golf Industry Show, Orlando, FL
- The Taste of Success Show, Augusta, ME
- The Aroostook Agricultural Show, Presque Isle, ME
- The Top of Maine Show, Madawaska, ME
- Maine Tech 2005, Augusta, ME

The LATC Executive Director enjoys a good working relationship with the Aroostook Partnership for Progress, a public/private partnership of more than 20 investors from both sectors whose mission is to enhance Aroostook County's economy and market the region to the U.S., Canada and Europe. The LATC also works in tandem as a sponsor and host for training programs provided by the Small Business Development Center. The Director is a member of the Northern Maine Development Commission Revolving Loan Fund, Northern Maine Development Finance Corporation, and serves on the Northern Maine Development Commission Board of Directors.

The Loring Applied Technology Center continues to implement the mission of the Applied Technology Center System and to enhance business development opportunities for entrepreneurs in this region of the State of Maine.

LORING DEVELOPMENT AUTHORITY OF MAINE BOARD OF TRUSTEES

The Loring Development Authority is represented by a thirteen member volunteer Board of Trustees, twelve of which are nominated by the Governor and confirmed by the State Senate and one is a Commissioner of State government designated by the Governor and serves as a voting, ex-officio member. Seven of the appointees confirmed are required to be from Aroostook County and must be nominated by the primary impacted communities surrounding Loring, while four of the appointees are required to live outside of Aroostook County and one appointee can reside anywhere in Maine.

Chair, James O. Donnelly, resident of Brewer, is a Regional Vice President at Machias Savings Bank in Ellsworth. Mr. Donnelly has served on the LDA Board since 2000.

Vice Chair, Kathryn J. Rand, resident of Hallowell, is a principal of Bernstein Shur Government Solutions, a consulting subsidiary of the Bernstein, Shur, Sawyer & Nelson law firm. Ms. Rand has served on the LDA Board since 2003.

Treasurer, Philip A. Cyr, resident of Van Buren, is the Owner/Administrator of several area nursing homes. Mr. Cyr has served on the LDA Board since 1999.

Secretary, Philip P. Parent, resident of Van Buren, is an Attorney in private practice, concentrating in real estate, commercial law, probate and estate planning. Mr. Parent has served on the LDA Board since 2002.

Philip J. St. Peter, resident of Caribou, is actively involved in real estate, contracting and banking ventures in the community. Mr. St. Peter has served on the LDA Board since 1997.

Rob A. Langner, resident of Fort Fairfield, is a Case Management Officer for the Maine District Court in Aroostook and Washington Counties. Mr. Langner has served on the LDA Board since 2002.

Linda M. Page, resident of Limestone, is actively involved in several community support organizations. Ms. Page has served on the LDA Board since 2002.

Douglas F. Beaulieu, resident of Madawaska, is the County Administrator for the County of Aroostook. Mr. Beaulieu has served on the LDA Board since 2004.

Patrick C. St.Peter, resident of Limestone, is a former President & CEO of the County Federal Credit Union. Mr. St.Peter has served on the LDA Board since 2004.

Mary E. Leblanc, resident of Portland, is a former Assistant to the Director for the Maine Community College System's Center for Career Development. Ms. Leblanc has served on the LDA Board since 2004.

Terence M. Harrigan, resident of Bangor, is an Attorney with the Vafiades, Brontas & Kominsky law firm. Mr. Harrigan has served on the LDA Board since 2005.

Edmond C. Therrien, resident of Presque Isle, is a Producer at Hayden Perry Insurance Agency. Mr. Therrien has served on the LDA Board since 2005.

Jack Cashman, resident of Old Town, is the Commissioner of the State Department of Economic and Community Development. Commissioner Cashman has served on the LDA Board since 2003.

LORING DEVELOPMENT AUTHORITY OF MAINE DEVELOPMENT STAFF

President & CEO, Carl W. Flora, provides executive oversight for the Authority's operations as well as management of day-to-day operations including, but not limited to, finance & administration, property management, municipal functions (i.e.: police, fire, water/sewer, electrical distribution, ground and building maintenance), and government, public, tenant, and community relations. He serves at the pleasure of the LDA Board of Trustees. Mr. Flora has been employed at the LDA since November 15, 1995.

Director of Finance and Administration, Frank F. Goade, is responsible for the development and administration of the LDA's operations and accounting controls and financial reporting systems, as well as all administrative functions, including administration of daily municipal and maintenance operations. Mr. Goade has been employed at the LDA since September 19, 1994.

Manager of Real Property and Human Resources, Patricia M. Zenzius, works part-time and is responsible for the administration and management of real and personal property, as well as all aspects of the LDA's human resources. Ms. Zenzius has been employed at the LDA since January 31, 1994.

Executive Assistant, Donna M. Sturzl, is responsible for providing comprehensive support to the LDA's President & CEO, grant research, writing and reporting and carrying out a variety of projects. Ms. Sturzl has been employed at the LDA since September 21, 2000.

Facilities Administration Manager, Neal R. Haines, coordinates and oversees the day-to-day municipal maintenance type operations of the facility which include buildings, roads, grounds, fire protection, water and wastewater plant operations and vehicle maintenance with section foreman. He also monitors all purchases and payment processing, oversees the computer network system, and general administrative duties. Mr. Haines has been employed at the LDA since September 26, 1994.

Administrative Assistant, Mary E. Saunders, is assistant to the Facilities Administration Manager and LDA Code Enforcement Officer. She is responsible for environmental reporting and reporting for Loring Utilities and also provides clerical support to Loring Utilities and the Loring Fire Department. Ms. Saunders has been employed at the LDA since January 17, 1994.

Director of Business Development, Edwin E. Nickerson, manages new business development and assistance efforts including business attraction, development and support; financial administration; and participation on local and State boards. He also manages all components of the Loring Applied Technology Center (LATC). Mr. Nickerson has been employed at the LDA since February 13, 2001.

Executive Assistant, Loring Applied Technology Center, Diane M. Martin, is responsible for assisting with the administration of the LATC including policy development, tenant support, public relations and marketing. She also supports LDA development and marketing operations. Ms. Martin has been employed at the LDA since September 12, 1994.

BUSINESSES ON LORING COMMERCE CENTRE

Defense Finance and Accounting Service Center (DFAS)

The **Department of Defense DFAS Limestone** Operating Location officially opened for business in May 1995. Located in a 145,000 square foot state-of-the-art office building, the Center currently employs approximately 352 associates and is expected to grow to 600 or more. Over 70% of the workforce was hired locally.

Loring Job Corps Center (LJCC)

The **Loring Job Corps Center**, part of the **Job Corps New England Region** and the **National Job Corps** system, offers unique advanced training for youth ages 16-24. The Center welcomed its first 380 students in January 1997 and provides training in recreation and outdoor wilderness trades, culinary arts, certified nurse's aid (CNA) program, accounting, medical office training, business/clerical, computer service repair, Web page design, electrical, carpentry, cement masonry, painting, diesel and automotive mechanics and commercial driver's license (CDL). Operated by the Training & Development Corporation of Bucksport, the LJCC employs over 140 people.

Maine Military Authority (MMA)

The **Maine Army National Guard** established a military vehicle refurbishment center at Loring in September 1997. It has since grown to over 520 civilian employees and is expected to continue to expand. MMA can refurbish many types of wheeled and tracked vehicles and is capable of performing a full array of component work including: Engine & Transmission Dynamometer Testing; Complete Machine Shop and Metal Fabrication; Welding; Alternator & Starter Repair; Fuel Pump Repair; Complete Wheel Assembly. Over 3,500 High Mobility, Multipurpose Wheeled Vehicles (HMMWVs) have been rebuilt or refurbished since 1997. The Center also has a Controlled Humidity Storage Program for M109 Howitzers and Engineer Equipment. MMA currently occupies nine buildings at Loring.

U.S. Fish & Wildlife National Wildlife Refuge

In 1998, the **U.S. Fish & Wildlife Service** received 4,700 acres of the former base to establish the Aroostook National Wildlife Refuge. The refuge is a part of the National Wildlife Refuge System, a network of lands set aside specifically for the protection of wildlife and its habitat. Wetland, grassland, and northern forest habitats for migratory birds and endangered species are protected on the refuge. The Friends of the Aroostook National Wildlife Refuge support refuge programs through education, fundraising and volunteer projects.

SITEL Corporation

The global leader in outsourced telephone-based customer service, **SITEL** expanded its Insurance Sales and Services division call center operations in early 1998 in the 48,000 square foot Fortune Building at the Loring Commerce Centre. Sitel employs over 245 people.

Hydroblend, Inc.

Hydroblend, Inc. of Nampa, Idaho occupies a 40,888 square foot former warehouse building at the Loring Commerce Centre. The privately owned company formulates and blends a variety of dry batter products in the food industry and also offers a line of dry mix products for resale.

MacDonald Enterprises

Loring's first manufacturing tenant, MacDonald Enterprises, expanded its operations to the

Loring Commerce Centre in the summer of 1996. This value-added wood products manufacturer makes quality wood products for distribution to retailers, as well as via mail order and currently employs four people. The business also offers a full line of machining, fabrication, sheet metal and welding capabilities on all types of steel.

Impac Auto, Inc.

As a wholesale distributor of specialty heavy equipment parts, **Impac Auto, Inc.** operates its business in a 4,800 square foot building at Loring and employs five people.

The Maine Winter Sports Center (MWSC)

The **MWSC** is a newly formed non-profit corporation that has established first-class Nordic Skiing, Biathlon and Alpine Skiing facilities and programs in central and northern Aroostook County. MWSC is initially focusing its efforts on raising awareness of the three sports and stimulating the aspirations of Maine youth with a by-product of producing world-class athletes and hosting major international competitions.

Limestone Country Club and Townhouses

Limestone Country Club is open year round offering nine-hole golfing, cross-country skiing and snowmobile trails. In connection with their four-season operation, the proprietors of the Country Club also operate long and short-term rental units for use by Aroostook County residents, visitors and tourists.

The Loring Inn

This hotel facility offers first class accommodations in 18 suites and 6 single rooms, providing an important service for employees at Loring as well as for casual visitors and seasonal tourists.

Loring Health Center

Operated by Pines Health Services, The Loring Health Center provides convenient outpatient health care and weight management program services for Loring's employees and area residents.

Pioneer Wireless Network

Pioneer Wireless Network has created a wireless internet service network that spans Aroostook County from Sherman to Madawaska. The company leases space on one of Loring's facilities where it placed antennae needed to complete the network.

The Telford Group, Inc.

The Telford Group is a multi-faceted aviation service company operating an aircraft maintenance operation at Loring. It also supports an unmanned aerial vehicle development and testing operation in partnership with SAIC.

National Job Corps Data Center

Operated by RS Information Systems, Inc., the National Job Corps Data Center provides data backup and customer support service to Job Corps Centers located nationwide.

WPS Energy Services, Inc.

WPS Energy Services operates the power plant on Loring, generating electrical power to help meet reserve power requirements and to provide back up power for businesses on Loring.

Pattison Sign Group

Pattison Sign Group established its first U.S. manufacturing plant on Loring where it manufactures custom designed electrical signs. Pattison is one of the world's largest electric sign companies and is a division of The Jim Pattison Industries Ltd., one of Canada's largest privately held companies.

Loring Applied Technology Center

The **Loring Applied Technology Center** (LATC) is one of seven business incubators in the State's Technology Centers System providing start-up businesses with low-cost space, use of office equipment and financial, legal, and technical services.

Robin's Chocolate Sauce

Robin's Chocolate Sauce owners have developed a chocolate sauce product that will soon be available in finer mall stores and catalogues.

Pneu-Hydro Energy

Pneu-Hydro Energy is part of a New York corporation that will be conducting research and development of potential manufacture and commercialization of a hybrid energy source.

The Flightline Café & Catering

Located at 170 Development Drive, **The Flightline Café & Catering** is opened from Monday to Friday. Downeast Coffee, daily specials and delivery service are available. The business also caters special events of all sizes and can host events at Loring's NCO Club.

LORING DEVELOPMENT AUTHORITY
MONTHLY EMPLOYMENT/TENANT ACTIVITY REPORT
30-Sep-05

DEVELOPMENT ACTIVITIES

<u>REUSE ACTIVITY</u>	<u>TYPE</u>	<u>JOBS/RESIDENTS</u>			<u>PROPERTY ABSORBED</u>	
		<u>Prior Month</u>	<u>Current</u>	<u>Projected</u>	<u>Bldg SF</u>	<u>Acreage</u>
<u>PRIVATE SECTOR</u>						
Flightline Café	Service	1	1	3	1,500	0.5
Loring Inn	Hotel	4	4	11	21,995	3
Hydroblend, Inc.	Manufacturing	13	13	30	40,888	2
International Sourcing Inc	Commercial	5	5	5	4,824	1
Limestone Country Club	Recreation/Residential	10	9	20	326,685	270
Loring Applied Technology Ctr	Commercial	2	2	3	42,075	3
Durepo Enterprises	Manufacturing	0	0	9	28006	1
Robin's Chocolate Sauce	Manufacturing	2	2	2		
Pneu-Hydro Energy	R&D	1	1	1		
Loring Health Center (Cary)	Health Care	3	3	7	2,000	1
MacDonald Enterprises	Manufacturing	4	4	12	19,762	2
Maine Winter Sports Center	Recreation	15	15	16	6,408	1
MWH	Commercial	1	1	1	3,950	2
Pattison Sign Group	Manufacturing	50	53	50	39,115	1
Sitel Insurance Services	Call Center	243	245	352	47,783	12
WPS	Commercial	0	0	0	28,838	5
Telford Group	Aircraft MRO	5	5	30	247,417	8
TOTAL:		359	363	552	861246	312.5

PUBLIC SECTOR

Dept of Labor RS Info Systems	Data Management	15	16	40	7,835	4.5
DFAS	Office	354	352	600	142,400	15
Maine Military Authority	Vehicle Refurbishment	538	522	750	378,910	23
TDC (Loring Job Corps Center)	Educational/Office	140	144	147	270,022	42
US Fish & Wildlife	Wildlife Refuge	3	3	5	8,600	3,886
TOTAL:		1050	1037	1542	807,767	3970.5

LDA	Development	28	28	28	94,996	10
TOTAL EMPLOYMENT:		1437	1428	2122	1,764,009	4293

RESIDENTIAL

Residential	Dependents	170	170	250		
Job Corps	Students	340	312	400		
TOTAL RESIDENTIAL:		510	482	650		

GRAND TOTAL		1,947	1,910	2,772	1,764,009	4,293
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Total Available Space:	2,795,587	8,702
%		
Committed	63%	49%

NOTE: Above figures do not include the people employed by various agencies involved in the Air Force's environmental cleanup and property transfer at Loring.